

PREM 19/968

32/45

PART 13

MT

long Term Management + Manpower Policy

CIVIL SERVICE

Slimming down of local auth. staff.

Performance

related pay

Part 1: March 1979

financial management

Part 13: May 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
31.5.83							
28.6.83							
1.7.83							
2.8.83							
5.8.83							
16.8.83							
24.8.83							
26.8.83							
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8/9/83							
14.9.83							
20.9.83							
23.9.83							
28.9.83							
4/10/83							
30.9.83							
PART ENDS							

PREM 19/1968

Material used by
official Historian
DO NOT DESTROY

PART 13 ends:-

Ch/Ex to Ld Course 20/9

~~SS/Environment to PM 30, 9, 85~~

PART 14 begins:-

Dept Environment to AT 3, 10, 83

CONFIDENTIAL



pc NO
cm
21/9

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

20 September 1983

Lord Gowrie
Minister of State, Privy Council Office
Management and Personnel Office
Old Admiralty Building
Whitehall
LONDON SW1A 2AZ

Dear Minister of State,

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

You wrote to me on 14 September, confirming that you did not regard potential opposition from the Civil Service unions as a major obstacle to the extension of unified grading.

In view of what you say, and of the generally favourable reaction from other colleagues, I am content for us now to proceed to unified grading at the Assistant Secretary and Senior Principal grades as from 1 January 1984, with associated pay alignment within the levels of overall cost referred to in the note by officials enclosed with your letter of 8 August.

I am concerned to ensure that we get the full presentational benefits of making this move and believe we shall only secure these if an announcement covers the whole proposal, including pay alignment, the details of which have yet to be settled. Perhaps you and Barney Hayhoe could discuss this aspect further. Barney will be speaking in the Commons debate on the Civil Service at the end of next month and that might well be an appropriate time to make the announcement.

I am copying this letter to the Prime Minister, other members of the Cabinet, Barney Hayhoe and Sir Robert Armstrong.

Yours sincerely,

Margaret O'Hara

NIGEL LAWSON

*(Approved by the Chancellor
and signed in his absence)*

Civil Service - Long term RI
Pt 13

2 SEP 1988

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From: THE PRIVATE SECRETARY



NORTHERN IRELAND OFFICE
GREAT GEORGE STREET,
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(1) Press Office JK - No one to let us know when this is going JK 3/8
Mr. Thompson to see To be aware
16 September 1983

(2) P.A.

was published 27/9
1/8

MS 16/9

Dear Tim

FINANCIAL MANAGEMENT INITIATIVE - NORTHERN IRELAND DEPARTMENTS

Thank you for your letter of 26 August 1983 which indicated that the Prime Minister has agreed that the Northern Ireland Report can now be published as proposed by Mr Prior, subject to the points made by the Chief Secretary.

You may wish to have the final version of the text, which has been amended to take account of the Chief Secretary's points (and of other minor drafting and updating changes) and which I now enclose. I am also sending copies to John Gieve (Chief Secretary's Office) and Mary Brown (Office of the Minister for the Arts).

Yours ever

Derek

D A HILL

JLD

SEP 1983



FINANCIAL MANAGEMENT INITIATIVE

WITHIN THE NORTHERN IRELAND DEPARTMENTS

A report on the main objectives of the Financial Management Initiative within the Northern Ireland Departments, indicating progress already made towards these objectives, identifying areas where further work is required, and describing the programme for that work.

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1. INTRODUCTION

- 1.1 The White Paper "Efficiency and Effectiveness in the Civil Service" Cmnd 8616 published in September 1982 indicated the Government's intention, through a Financial Management Initiative co-ordinated in Great Britain by HM Treasury (HMT) and the Management and Personnel Office (MPO), to evolve the systematic and comprehensive application of higher standards of financial management which, building on work already undertaken, would have the aim of promoting in each Department an organisation and system in which managers at all levels have:
- a. a clear view of their objectives and the means to assess, and wherever possible measure, output or performance in relation to those objectives;
 - b. well defined responsibility for making the best use of their resources, including a critical scrutiny of output and value for money;
 - c. the information (particularly about costs), training and access to expert advice which they need to exercise their responsibilities effectively.
- 1.2 The Secretary of State for Northern Ireland decided that a similar initiative should be launched within Northern Ireland Departments which (in accordance with the administrative arrangements applying in Northern Ireland) would be conducted as a separate but parallel exercise co-ordinated by the Department of Finance and Personnel for Northern Ireland (DFP).
- 1.3 The purpose of this report is:-
- a. to describe in more detail the main objectives of the Financial Management Initiative (FMI) within the Northern Ireland Departments;
 - b. to indicate the progress already made towards these objectives;
 - c. to identify areas where further work is required to achieve the objectives;
 - d. to describe, within a specific timeframe, the programme for that work.

2. **NORTHERN IRELAND FACTORS**

- 2.1 The primary responsibility for devising systems to meet the needs of managerial responsibility, financial accountability and control within an individual Department clearly lies with the Department concerned. The Department of Finance and Personnel, however, has responsibility not only for its own internal arrangements but also for ensuring that the overall Northern Ireland arrangements are effective and provide a basis for the effective and efficient management of the total Northern Ireland Public Expenditure allocation. The work in Northern Ireland has been taken forward on that basis. In recognition of its strategic responsibility for financial management in the Northern Ireland Departmental system, and to provide practical assistance to spending Departments in the development of their work, DFP established at the outset a small Central Unit, similar to that which was set up in the HMT/MPO. This has been achieved within the existing staff resources, supported by the secondment of a consultant from the private sector to work in the team. For their part, Departments have identified specific officers to act as direct points of contact on the FMI and to steer the work at Departmental level.
- 2.2 The approach to the implementation of the FMI in Northern Ireland has taken fully into account the particular features of the Northern Ireland administrative system and in particular its scale. At end July 1983 the Northern Ireland Civil Service (NICS) consisted in total of some 25,700 industrial and non-industrial civil servants, attached to six separate Departments, each with an Accounting Officer with the full range of direct responsibilities for the running of his Department which that role implies. The NI Departments are small by GB standards in terms of numbers but at the same time cover much the same (and in some cases a wider) range of responsibilities as their counterpart Departments in GB. In particular the Department of the Environment for Northern Ireland (DOE(NI)) handles on a direct basis a number of activities which are handled by Local Authorities in Great Britain. In addition substantial expenditure is incurred by Bodies which are not part of Central Government but are virtually 100% funded by Government Departments. The Health & Social Services Boards and the Education and Library Boards are cases in point. Inevitably, therefore, the approach and speed of progress in particular areas is dependent on the nature of services and the allocation of responsibilities. Relevant factors include the mix of expenditure between

administrative costs and programme costs, the presence or absence of outside Bodies such as Area Boards, the range of functions and the nature of the financial systems already in operation.

- 2.3 A unique and significant element in the Northern Ireland system is the role of the Department of Finance & Personnel in discharge of its responsibilities for the approval of Northern Ireland Departmental expenditure and for central management of the Northern Ireland Public Expenditure block and NICS Manpower total as regional resources. This provides for the Department the opportunity, as co-ordinator of the FMI in Northern Ireland, to channel the thrust of the initiative in response to local circumstances, and, through the sharing of best practice, to avoid unnecessary duplication of development activity.
- 2.4 The scale of the Northern Ireland Departmental system, the integrated approach, through DFP, to the planning and management of NI manpower and financial resources and the more direct drive on which the administration of services in Northern Ireland is organised, are in important respects advantageous in terms of achieving the FMI objectives.
- 2.5 For example the sub-division of the Northern Ireland administration into relatively small Departments, each with its own distinct accountability for the management of a defined set of programmes, has established a ready-made framework of identified management responsibilities and accountability on which to build further development. At the same time, the service overall is of a size which facilitates the dissemination, from the centre through education and training programmes, of both the general awareness of principles and the sort of specialist expertise which are cornerstones of the FMI. It also simplifies the processes of consultation which are inevitable in the evolution of management strategies, for example, in relation to the development of Information Technology (IT), and which are particularly relevant in the FMI context.
- 2.6 It is also helpful that similar advantages of scale have allowed for the development, and will provide for the further enhancement, of close working relationships between NI Departments and their partners outside Government in the delivery of services. DENI and the Education and Library Boards, DHSS and the Health and Social Services Boards, and DOE and the Northern Ireland Housing Executive are examples.

- 2.7 In taking advantage of local arrangements it is also important to ensure that what is good in existing practice (and there is much which is) is retained, and that where change is to be made or development undertaken it is properly thought out and managed.
- 2.8 In light of all these factors, the FMI work in Northern Ireland has moved, and will move, forward on the basis that:-
- a. projected developments, to achieve anything lasting, must be seen to be worthwhile and be attainable by those involved;
 - b. given the scale of the task and the resources available, simultaneous progress on all aspects of the FMI within each individual Northern Ireland Department would not necessarily be the best way to proceed. The objective is to ensure progress and development on all the various aspects of the FMI, taking Northern Ireland Departments as a whole; thus
 - c. in developing FMI work, NI spending Departments, in consultation with DFP, have concentrated immediate priority on areas which afford the best prospect of gain according to individual circumstances; and
 - d. DFP, in order to take full advantage of the opportunities for sharing experience afforded by the scale of the Northern Ireland system, has sought in agreeing projects for development with Departments, eg, in the Information Technology field, to ensure that unnecessary overlap has been minimised; therefore
 - e. an integral part of each Departmental plan for developing the FMI must be a programme specifying interim and ultimate objectives for achieving the plan against a stated timetable.

3. **MAIN THEMES OF THE INITIATIVE**

The Management of a Department's Administrative Resources

- 3.1 A cardinal objective is that the line manager in charge of a unit must be conscious of, and accountable for, all his activities, performance and results, including the identifiable administrative resources he controls and consumes. If this is to be achieved it is important that each manager's objectives, and the extent of his responsibilities, should be clearly stated. The effective management of administrative resources thus requires the establishment of coherent managerial 'blocks' or 'businesses' and responsibility for the use of resources once allocated should be vested in the officer in charge of each block.
- 3.2 While these broad principles apply to all areas of Civil Service work, the nature and diversity of activities undertaken by Departments means that the degree of disaggregation which is practical and desirable varies from Department to Department and even between sections within Departments. Whatever the level of disaggregation, however, a clear statement of the responsibilities of the manager of each unit is essential, together with a full statement of the administrative resources involved. These should be the subject of a regular review and reports to Ministers and top management.

The Management of a Department's Programme Expenditure

- 3.3 Arrangements for the management and control of programme expenditure must be devised to suit the nature of the expenditure and to take account of the relationships between the Department and any other agencies involved.
- 3.4 Three generally applicable lines of development can be identified. First, line responsibility should be clarified by breaking down the programme into blocks for the purpose of considering priorities, setting objectives, and assessing effectiveness. Second, it is essential to keep value for money under review. This involves the systematic application of techniques such as Investment Appraisal and the establishment of financial targets and/or other performance indicators to assess what has been

achieved with the resources consumed. Third, on the basis of the data generated, each block of expenditure should be regularly reviewed and considered against other priorities.

Development of a Management Information System

- 3.5 Such a system is an essential pre-requisite if Ministers and senior officials are to be placed in a position where they can review regularly all aspects of a Department's work, compare priorities and decide how resources can be allocated to maximum advantage between them.
- 3.6 There is clearly a direct inter-relationship between a good management information system and the effective handling of both administrative and programme expenditure. The existence therefore of a management information system is an essential part of the FMI for each Department.
- 3.7 The Management Information System for Ministers (MINIS) of the Department of the Environment in GB is the best known of the information systems for resource allocation and Northern Ireland Departments are developing similar systems, having regard to the circumstances of each Department.

4. **PROGRESS TO DATE - CENTRAL**

- 4.1 Progress to date on the FMI in Northern Ireland can most conveniently be described under two headings - first, developments generated centrally by DFP (a great number of which also involve Departments) - and second, developments undertaken within individual Departments (with support from DFP where necessary).
- 4.2 This section deals mainly with centrally generated work of relevance to the NI system as a whole. Work generated inside individual Departments is covered in Section 5 and Annexes 1-6.

Public Expenditure Survey

- 4.3 Public Expenditure planning and control are clearly a central part of the arrangements for carrying out government policy. They depend, inter alia, upon having a clear set of definitions for both the identification of Bodies which count as part of the Public Sector, and for the classification of transactions. The definitions which apply for the purposes of identifying and classifying public expenditure in Northern Ireland are fully consistent with those which apply for the United Kingdom as a whole, and the planning totals for Northern Ireland's Public Expenditure form an integral part of the UK annual survey (Public Expenditure Survey or PES) system. This system has been in use for some 20 years now.
- 4.4 The major development in this area over the past two years has been in basing Northern Ireland Public Expenditure Survey work on the management of the Northern Ireland Public Expenditure total as a single regional resource to be shared, rather than on the aggregation of individual programmes based on bids which, not unnaturally, given the needs and circumstances of the Province, always exceeded the total available. Decisions within the Survey have therefore been directed towards the establishment and implementation of priorities and, as a result, much more towards the possible and the attainable rather than the desirable but unattainable. This in turn has facilitated a positive approach to public expenditure planning and prompted increasing attention to priorities within, as well as between, programmes.

4.5 As part of this development DFP has worked closely with all spending Departments towards the establishment of a common database against which proposals to Ministers can be formulated and discussed. This is a complex task and the database will always be the subject of development work, not least because of technological change. Good progress has been and is being made and the bringing together of administrators in the Financial Planning Branch, economists from the Economics Division and staff of Social Research Division into a single Policy, Planning and Research Unit within DFP has been a major step forward in programme and policy analysis. The role of spending Departments in all of this is critical and one of the successes has been the increasing collaboration between spending Departments and DFP in the planning as well as control area.

4.6 Over the system at large much more attention than in the past has been directed towards the identification of physical or other targets against which progress can be measured. The more progress which can be made in agreeing programmes and determining performance targets and systems of assessment, against which programme management can be reviewed, the less need there is for detailed case control, and the greater the capacity to compare priorities and respond to changing pressures.

Monitoring

4.7 Assessment of performance against physical or other targets is one form of the monitoring necessary in any good financial management system. Another is monitoring spending against profile and the identification of potential over- and under-spends in the current year.

4.8 In order to optimise the use of resources overall within the Northern Ireland Public Expenditure block, and to concentrate attention within Departments on the need for efficient management information systems, the normal UK-wide systems for monitoring have been supplemented, in Northern Ireland, by a system of regular assessments, undertaken by Permanent Secretaries at key points throughout the year.

4.9 This ensures that DFP is in a position to react positively when shortfall is emerging. One of the major gains from the system has been the development of expertise in assessing what is possible in which areas, and

on what timescales, when resources become available as a result of shortfall. The overall effect has been to enhance the capacity to maximise total resources available, including the avoidance of unnecessary constraints in areas where additional revenues can be constructively and effectively used within the year and without detriment to forward planning. As an indication of the progress made, shortfall on the Northern Ireland programme has fallen from 6.8% in 1973/74 to about 1.5% in 1981/82 and to 1% in 1982/83.

Education & Training

- 4.10 DFP and spending Departments have recognised that training will play an important part in developing the awareness of the importance of good financial management and the techniques associated with it and is in itself an objective of the Initiative. The necessary training is well under way.
- 4.11 The Central Unit established in DFP has special responsibility, through the network of Departmental Liaison Officers (see paragraph 2.1), for promoting awareness of FMI objectives in Departments and for encouraging and monitoring progress towards those objectives. The Central Unit is also responsible for keeping in touch with developments in Great Britain and has availed itself of private sector consultancy services in the financial management field to help with the dissemination of guidance on best practice to Northern Ireland Departments.
- 4.12 The DFP Central Unit has:-
- a. through the NICS Training Centre initiated a series of seminars for officers in the Northern Ireland Civil Service with a perceived key role in the promotion of FMI objectives. The seminars are designed to be highly participatory and to give an opportunity for assessment of progress as well as provide training;
 - b. again through the NICS Training Centre, initiated a series of seminars aimed at promotion of general awareness of the FMI throughout the Northern Ireland Civil Service;
 - c. provided specific seminars for individual Departments on request.

4.13 In addition the NICS Training Centre has:-

- a. encouraged all senior officers in the Northern Ireland Civil Service to attend FMI related courses at the Civil Service College at Sunningdale. To date, some 10% of senior officers have attended such courses. Attendances at such courses is now mandatory for officers in positions of special responsibility for financial management;
- b. introduced a series of service-wide courses on appreciation of Investment Appraisal techniques (identified by FMI Central Unit as of immediate relevance to the FMI objectives) which will be completed by December 1983 and will have a throughput of over 100 officers.

and the Northern Ireland Public Service Training Council has

- c. organised seminars on FMI issues on a public service-wide basis.

Internal Audit

- 4.14 DFP has an overall responsibility for promoting effective internal audit in the NI Civil Service, though the primary responsibility for Departmental management of funds lies with the individual Department and its Accounting Officer.
- 4.15 DFP has recently revised the guidance to Departments on internal audit. The revision takes account of comments by the Comptroller and Auditor General (London) and the Public Accounts Committee in June 1981 (9th Report of PAC, 1980/81 Session on "Internal Audit in Central Government"), and of the Comptroller and Auditor-General for Northern Ireland's report on the 1981 Appropriation Accounts, and the recent re-appraisal of the position in Great Britain by the PAC in December 1982 (2nd Report of PAC, 1982/83 Session on "Development of Internal Audit in Central Government").
- 4.16 As part of its general oversight of audit arrangements DFP now takes a close interest in the quality of staff engaged in internal audit and all new appointments to Head of Internal Audit have to be cleared with DFP.
- 4.17 Particular importance is attached to training. A comprehensive programme of training courses has been established by the NICS Training Centre to

meet the needs of Departmental internal audit units. Leading accountancy firms and other private sector specialists have been employed to carry out the training. The Diploma qualification of the Institute of Internal Auditors has been adopted as the most appropriate qualification for staff in internal audit. The NICS Training Centre has now become a recognised "Tuition Provider", and is represented on the Institute's Diploma and Syllabus Committees.

4.18 The main features of the training programme initiated are:-

- a. from November 1982 until end August 1983 training courses involving 390 participants (drawn mainly from NI Departments including Local Government and Health Service Audit Staff but also staff from Exchequer and Audit Department, the Northern Ireland Office, Police Authority for NI, the NI Court Service, the various Education & Library Boards and Health Boards, and the NI Electricity Service) have provided a curriculum covering general audit, audit management, computer appreciation, the audit of basic computer systems, the audit of complex computer systems, computer installation audit, commercial accounting and statistics for auditors;
- b. training for the Diploma of the Institute of Internal Auditors has been organised by the local office of an international accountancy firm. The course, lasting 2 years, incorporates examinations in Principles of Internal Auditing, Internal Auditing Techniques, Computer Auditing, the Management of an Internal Audit Department and Practical Auditing. Course members took their first examination in June 1983;
- c. "On the Job Training" takes the form of a 2-week audit workshop carried out by one of the firms of accountants currently employed on audit training. The primary aims are to assess the extent to which more formal training has been put into practice and to give practical advice to internal audit units on good operational practice. A side product to these workshops has been the benefit gained by the trainers in keeping in touch with actual Departmental audit problems. All NI Departments plan to participate in the "On the Job" training programme during 1983. The first workshop took place in March 1983.

Information Technology & Computer Strategy

- 4.19 Efficient and effective exploitation of developments in the computer field and in Information Technology are recognised as essentials of FMI. To this end, a comprehensive review of arrangements for handling computer, new technology and related matters in the Northern Ireland Civil Service was set in train in the Autumn of 1982. The review, commissioned by DFP and conducted with the help of private sector consultants, was carried out in two stages.
- 4.20 The first stage of the Review, completed early in 1983, identified the following key points:-
- a. at the centre a coherent long term strategy for computing and Information Technology was needed in the NICS as a matter of urgency;
 - b. in Departments, understanding and organisation to handle computer matters, particularly in relation to determination of needs and priorities, required development;
 - c. the division between central (DFP) and individual Departmental authority and responsibility in the Information Technology field should be looked at afresh;
 - d. the possibilities for establishing a central Information Technology Unit, combining work in the field which is presently carried out in the Computer Services and Management Services Divisions of the Department of Finance & Personnel and the Works Division of the Department of the Environment (NI) required examination;
 - e. the possibilities for concentrating greater resources of money and manpower in the Information Technology area required examination.
- 4.21 The second stage of the Review, which has just been completed, was designed to establish a proper long term strategy for the use of Information Technology in the NICS; to redefine the responsibilities of Departments and DFP for IT; and to introduce advanced management and systems development methods. It is envisaged that there will be substantial changes in the organisational arrangements for IT, with Departments being given an increasing responsibility in the development of Information Technology within the context of a coherent strategy.

Departmental Running Costs

- 4.22 Annual scrutiny of Departmental running costs (based on the pilot study carried out in the United Kingdom Civil Service in 1980 following an initiative by Lord Rayner aimed at enabling Ministers and senior management to be aware of the full costs of their Departments' activities) has been undertaken for NI Departments since 1981. For 1983/84, the scrutiny has been assimilated into the 1983/84 Main Estimates procedure.
- 4.23 Association of the scrutiny of running costs with the normal procedures for dealing with Estimates has helped with:-
- a. identification of adverse trends in the direction of costs in Departments and in pinpointing areas of expenditure which require special attention, eg, personnel overheads, accommodation, office services, casual work;
 - b. development of measures of comparative performance as between Departments, eg, expenditure per capita on travel, accommodation, printing and stationery, etc;
 - c. focusing attention on the problems associated with allocation of overheads for centrally provided services to the operational management blocks within Departments.

It has therefore contributed substantially to the development of scrutiny of administrative expenditure (see paragraph 3.1).

The Organisational Framework

- 4.24 Quite apart from the scale of the NI systems referred to in section 2, a number of important organisational changes made in the NI Departmental system have contributed to the development of a climate conducive to the achievement of the FMI objectives in Northern Ireland:-
- a. the establishment of the Department of Finance and Personnel in April 1982, as the Department with overall responsibility for control of both finance and manpower, and the creation within the Department of a single Resources Group, which integrates the Divisions concerned with exercising the control functions, those engaged in providing professional support and advice, eg, Economists, Social Researchers, Efficiency Services and the Financial Planning Branch, has added considerably to the

directional influence which DFP can bring to bear on the progress of FMI and greatly simplified and improved the relationship between spending Departments and DFP.

- b. Northern Ireland Departments have now formally designated senior officers who have specific responsibility as Principal Finance Officers (PFO) and Principal Establishment Officers (PEO) within their Departments for the management of finance and manpower. Principal Finance Officers are responsible to the Accounting Officer for the general quality of the Department's systems for control and economy in the use of money, for advising on the quality of those areas of financial management which fall within the responsibility of line managers, for ensuring that any limits which have been decided upon are not exceeded, for ensuring financial propriety and regularity at all times, and for monitoring line managers' use of financial authority delegated to them. Principal Establishment Officers are responsible for the control and disposal of manpower; for the efficient administration of the Department (in particular for the operation of manpower planning and systems of personnel management). These formal appointments have added to the strength of the network of NI systems by formalising what had increasingly been common practice in most Departments.

Provision of Management Services

- 4.25 Prior to the formation of DFP on 1 April 1982 the Staff Inspectors within the former Department of the Civil Service (DOCS) were frequently in the position of making recommendations in areas where the authority to act rested with the Department of Finance Supply Officers. Despite good co-operation between the then DOCS and Department of Finance, there was obvious potential for overlap and confusion about control. Following the creation of DFP, these responsibilities have been closely integrated in the Resources Group of DFP to ensure that all items with significant implications for manpower resource consumption are given the comprehensive consideration necessary by Supply Officers, advised by Management Services Division covering Works Study, Organisation and Methods as well as Staff Inspection.

5. **PROGRESS TO DATE - INDIVIDUAL DEPARTMENTS**

- 5.1 As well as responding to, participating in, and developing the work described above (initiated by DFP) each Department has been developing its internal systems in ways which have provided a very good base on which to make further progress. Common features (in accordance with the key FMI concepts) are plans for developing the use of measures of output and performance in the various spheres of Departmental activity and for developing the management information systems necessary to support the managerial block concept and to provide senior officials and Ministers with a means of reviewing objectives regularly and maintaining cost effective allocation of resources. All Departments now have senior management groups and associated management information systems on which further development can be built as necessary.
- 5.2 This section does not attempt to detail every aspect of this work (more information about the detail of Departmental plans is provided in Annexes 1-6) but rather to illustrate the work of individual Departments in the context of:-
- a. managing administrative resources;
 - b. managing programme expenditure; and
 - c. improving information systems.

Managing Administrative Resources

- 5.3 The Department of Health & Social Services has for some time had an internal budgetary control system under which expenditure is allocated to budget holders, who then prepare monthly profiles of their planned expenditure. Monthly budgetary control reports are issued to indicate expenditure-to-date against profile and to highlight deviations. Periodic budgetary control meetings are then held at which performance is reviewed and adjustments are made as necessary. The Department considers that this system has worked well to date and is using it as a basis for the development of a comprehensive cost centre system within the context of the FMI. As a result of an internal report which made recommendations along the lines of the report from Price Waterhouse Associates for DHSS (GB), the Department is committed to the allocation of budgets for administrative expenditure to cost centres.

- 5.4 Within the framework of their Financial Information System, the Department of the Environment pays particular attention to the control of travelling/subsistence expenses and of general administrative expenditure. At the start of each financial year details of budgeted expenditure on these costs are given to Divisions or Branches as appropriate, and actual expenditure is monitored on a monthly basis against budget. To reinforce this discipline a quarterly printout of travelling/subsistence expenses for individual officers is also produced by the Accounts Branch and issued to the senior officer at each cost centre for information and consideration of any action required. This is particularly important in a Department with a substantial regional organisation.
- 5.5 The Department of Finance and Personnel, which does not have direct responsibility for programme expenditure but is as section 4 indicates heavily involved in the FMI over the NI system as a whole, has been identified as a suitable testing ground for a computerised system for analysis and control of administrative expenditure. A project team selected from within existing staffing resources with specialist support from the private sector, has the target of having this pilot scheme in operation during the next financial year.

Managing Programme Expenditure

- 5.6 As part of its overall arrangements for controlling programme expenditure, the Department of the Environment has developed a system whereby its Management Objectives are reviewed regularly by a Departmental Board. Divisional objectives are established within the overall Departmental Strategy and are quantified to the fullest extent possible in terms of input and output. Objectives only emerge after a two-way flow of information between the Departmental Board and Divisional managers. This means that any changes in Departmental priorities at Ministerial level are communicated to, and understood by, Divisional and Branch staff. In addition the Department has instituted in-depth reviews of major functions. For example, a Housing Review was carried out based on the results of the House Condition Surveys of 1974 and 1979 which enabled the Housing Executive to measure in quantitative and qualitative terms the physical effects of certain levels of housing investment during that 5-year period. This work was also useful in the construction of a costed, agreed physical programme for the Executive which continued the reduction

of unfitness levels achieved during that period and which is leading to a reduction in waiting lists over the following 5 year period. A similar review of the Roads Programme has been undertaken, based on an assessment of roads requirements and priorities in physical terms. As a result of this work the Department is now in a position to establish in these areas physical targets and performance measures.

- 5.7 The Department of Agriculture has made substantial progress in recent years as regards the control of programme expenditure. Within the framework of the Public Expenditure Survey and the Estimates procedures, individual cost centre managers have been establishing (in consultation with the central Finance Division) quantitative targets in physical terms to enable the measurement of progress towards objectives. This process continues within the broad strategy of Departmental policy set by the Minister and monitored by a Senior Management Policy group. In some areas targets can readily be established in precise terms, such as area of land to be planted by the Forest Service, while in others it is more difficult to find suitable indicators, for example in the field of research. Much effort has been devoted to making cost centre managers conscious of the need to monitor and review the effects of their activities, and progress continues to be made by the Department in distinguishing controllable activities and establishing realistic targets.
- 5.8 The Department of Economic Development has made substantial progress - in consultation with DFP - towards improved monitoring systems for major firms such as Harland & Wolff and Shorts. In addition the Department has considerably developed its relationship with the Northern Ireland Electricity Service. In all of these cases more systematic monitoring systems have been established and the improved flow of information has reduced the danger of having to respond to crisis situations which can so easily arise in the absence of good information systems. As regards the Electricity Service much work has been done also to establish performance aims following the review of energy policy in 1980/81, and the targets set are being achieved. To ensure that value for money is obtained, an Efficiency Audit of the activities of the NIES has recently been completed.
- 5.9 The Department of Education has established a monitoring system designed to ensure that each Departmental unit responsible for a budget has a

profile of its expenditure, against which to monitor progress during the year. The multiplicity of outside Bodies carrying out education functions makes it difficult to standardise the format of profiles; however, certain broad principles do apply. For Bodies which are effectively 100% financed from public funds, eg, Area Boards, the Department satisfies itself that net payments are proceeding in accordance with approved expenditure limits. For Bodies which are only partially funded by the Department, for example, District Councils, the Department's systems relate to the cash grant committed to each Body rather than the totality of its expenditure. In addition, all major capital works (ie, costing more than £100,000) are identified individually in expenditure profiles. The cost of School and Further Education Teachers' salaries represents some 40% of the Department's total budget. Estimates in this area are particularly critical and special arrangements have been established to monitor and profile all elements of the total salary commitment. To indicate the level of management information available and used, it should be noted that the Department also controls the staffing establishment of each school in Northern Ireland.

- 5.10 The Department of Health & Social Services has a planning system designed to secure realistic strategic and operational plans for the Health & Personal Social Services. A considerable amount of work has been done in co-operation with the Area Boards. The Department sees this as the key to the effective use of resources through the operation of a comprehensive planning system drawing on existing financial information systems, and on statistical data on activity performed and manpower resources consumed.

Improving Information Systems

- 5.11 The Department of Health & Social Services has been operating a MINIS system tailored to its own needs. The first plan covered the period from October 1982 to March 1983. The second MINIS report covers the period from April to October 1983. The system covers, inter alia, the organisational blocks within the Department, planned expenditure by area, expenditure on administration and manpower complements for each block, together with past trends and savings targets. It therefore integrates the separate information systems on expenditure and manpower resources and links them with objectives and tasks for each Division for the next six months.

5.12 The Department of the Environment already has in place a computer-based financial information system which provides data monthly for accounting and monitoring needs and fortnightly for Roads and Water Division cost-control purposes. Computer data is used to provide the basic information both for the Appropriation Account Records and for preparation of monthly expenditure and receipts monitoring statements. These compare actual costs/receipts against estimates in both quantitative and percentage terms and also profile costs against actual expenditure.

5.13 The Department of Finance and Personnel has introduced a Key Area Tally System (KATS) which incorporates, for consideration at the Senior Management Board and by the Minister, for each Under Secretary Command, work objectives, manpower and financial resources required and targets for completion. The statements are subject to a review at intervals of 6 months which covers the 6 months past and the 6 months forward. In this way objectives, progress and priorities can be kept under the spotlight and performance against target measured. When the nature of the work makes it difficult for primary objectives with physical performance indicators to be established, secondary objectives and subjective judgements are applied.

6. **THE WAY AHEAD**

- 6.1 The preceding sections of this report describe the progress that has already been made on a service-wide basis in the development of financial systems and the promotion of the principles of good financial management. Paragraph 2.8 described the basis on which this work has moved, and will continue to move, forward. Section 3 identified the themes which will underlie that work.
- 6.2 The details of existing achievement, ongoing work and future programmes for advancing the Financial Management Initiative within individual NI Departments are set out in Annexes 1-6.
- 6.3 In addition to the Departmental work DFP will continue to press forward with the centrally co-ordinated activity described in Section 4. To that end the DFP Central Unit (see paragraph 2.1) will continue in being until at least the end of the 1983/84 financial year. It will continue to make use of private sector consultancy services in the financial management field to help with the dissemination of guidance on best practice to Northern Ireland Departments.
- 6.4 DFP (in conjunction with individual Departments) will also continue the work already started to develop the database on which Public Expenditure decisions are made. This will involve reviews of several major areas of expenditure in the context of the Public Expenditure Survey, as well as the usual work on programme analysis.

The direction is towards a dynamic rather than a static approach. Examples of quantitative measures which are currently taken into consideration are listed in Annex 7. In addition to the normal processes of programme review the following measures have been identified for development work in 1983-84:

- a. farm incomes;
- b. completions achieved in the housing programme;
- c. teacher and non-teacher costs in schools;
- d. development of performance indicators within the Health Service in NI.

- 6.5 It is intended that each year specific programmes of development or review work will be agreed between DFP and spending Departments designed to ensure that maximum advantage is taken, in the context of resource management, of the advantages afforded by the more extensive direct drive administrative arrangements which apply in Northern Ireland.
- 6.6 Over the next year DFP will complete a review of its relationship with each spending Department in order to clarify levels of responsibility and optimise the arrangements for both control and management of expenditure within the existing statutory framework. This will provide a sound basis for the delegation of authority within Departments to line managers. Included in this review of relationships between DFP and Departments will be an examination of the arrangements for the control and grading of posts and for the division of staff inspection responsibilities between DFP and Departments. Departments will also be considering the balance of responsibility between their central finance and personnel branches and other branches. That balance, which will vary according to circumstances is, of course, material to the detailed approach taken in different Departments to cost centres and control of administrative and personnel expenditure.
- 6.7 DFP will be carrying out a programme of review of the top management structure of each Department at regular intervals of 3 or 4 years. These Departmental reviews will focus on structural aspects which are deemed to need special attention. The first study involves an examination of the senior management and professional structure for DOE's Planning, Roads, Water and Works Services within the context of the overall top management of the Department.
- 6.8 Improved financial management depends ultimately on the quality and motivation of the staff in the Northern Ireland Civil Service. Recognising the importance of attitudinal change, the NICS is taking positive steps to improve personnel management at all levels.
- 6.9 A review of personnel work in four Northern Ireland Departments has been completed and the recommendations arising therefrom, together with those advocated in the equivalent GB Review, are under urgent examination at senior levels.

- 6.10 The main thrust of the recommendations is to devolve within an agreed framework of principle the maximum authority to Departments. Within Departments the drive will be towards creating a new partnership between Personnel Divisions and line managers, with the latter having more authority in day-to-day dealings with their staff. This new partnership would cover such areas as promotion; appraisal; career development; probation; and inefficiency. Positive steps are being taken to develop the aptitudes and skills required for more professionalism, with emphasis on financial management.
- 6.11 A new procedure for promotion to senior posts, ie above Principal and analogous grades, has been introduced. This is designed to ensure a genuine spread of talent across Departments. Succession planning has been developed within NICS for all posts at Under Secretary level and above and additionally for the key senior posts in the financial and personnel commands. Consideration is also being given to the problem of equalising promotion opportunity below Principal level in the Northern Ireland Civil Service as a whole. Work in Great Britain with the objective of bringing staff from different groups and specialisms into common pay and grading arrangements is being paralleled. This will help to enhance the flexible deployment of managerial talent.
- 6.12 By way of separate studies account is also being taken of the need to improve facilities for women as career civil servants and more generally to monitor career progression in such a way as to ensure that proven talent is fully utilised without constraint.
- 6.13 The need for the introduction of incentive schemes, not only enabling individual members to achieve awards under the Staff Suggestion Scheme as at present but also attracting payments for the benefit of an office as a whole, is under active consideration.
- 6.14 Full implementation of the Review of Computing will take some years to achieve because, for example, of practical constraints on availability of staff with the relevant specialist skills. However it is already clear that the Review will run with the grain of the FMI by promoting more responsibility within Departments for planning, developing and running their own Information Technology applications and for monitoring and

auditing their own operations. DFP will be monitoring progress and providing support as necessary. Specific development programmes for each Department will be drawn up.

- 6.15 DFP will continue the drive in the important area of training and education. Specifically Departments will be encouraged to send staff to the various courses run by the Civil Service College; in addition the Central Unit in DFP will continue to be available to hold seminars on FMI as Departments perceive needs in this area. Steps will be taken to increase the general level of proficiency and professionalism in the Service in selected key areas. Specific plans have been finalised for a two year financial analysts' course, to be held at the Ulster Polytechnic, which is being carefully tailored to meet the needs of the Public Sector and will be attended by approximately 5/7 people. In addition, a programme of secondments on a two way basis between the public and private sectors intended to improve the business expertise of Civil Servants and to enable a useful private sector perspective to be applied to the operations of the Public Service, is under active consideration.
- 6.16 DFP will also be reviewing its work on the Efficiency Services side in order to develop a multi-disciplinary approach to selected projects and to strengthen the professionalism of staff inspection. As well as the traditional programmes of staff inspection, management services and work study assignments, a number of reviews of major areas of work (including Rayner Scrutinies) will be carried out and the concept of "management audit" will be developed. Private sector consultants will be used to supplement the teams drawn from NICS. The reviews are aimed at increasing the efficiency of administration.
- 6.17 Management Services Division is in the course of carrying out a specific programme of work in areas relevant to FMI. Areas in which the Division is active at present include the following:-
- a. the issue to Departments of guidelines covering management of telecommunications, messenger services and transport;
 - b. the review of administrative forms and development of an advice service to assist Departments in this area;
 - c. a review of the accommodation needs of Northern Ireland Civil Service Departments; and

- d. a review of the effectiveness of systems in stores maintained by certain Government Departments.

The areas of activity will be reviewed annually and specific programmes of work identified for the next year in light of progress and requirements. Areas of relevance to the Financial Management Initiative will be given priority.

- 6.18 To make sure that the momentum on internal audit is maintained DFP has obtained reports from each Department assessing its internal audit capability and making proposals for action to remedy, over a reasonable timescale, any major weaknesses. In addition a service-wide review of the quality of internal audit is being carried out by a firm of accountants. Their review will be completed in the current financial year.
- 6.19 The Diploma of the Institute of Internal Auditors course will continue in accordance with requirements. Arrangements have been made that one year after "On the Job Training" has taken place, Departments will be asked to undergo a Quality Review. A firm of accountants, completely unconnected with NICS Internal Audit Training, will be employed to carry out a critical assessment of the work of the individual units and report to Accounting Officers and DFP. On training generally it is intended that discussions should take place between Heads of Audit and DFP to establish Departmental training requirements each year which will cater particularly for new entrants, promoted staff, and staff moving into new audit areas, eg, computer audit, etc.

ANNEXES

DEVELOPMENT OF THE FMI IN NORTHERN IRELAND
DEPARTMENTS

DEVELOPMENT OF THE FMI IN THE DEPARTMENT OF FINANCE & PERSONNEL**Introduction**

1. The Department of Finance & Personnel was created on 1 April 1982 by an amalgamation of the control elements of the former Department of Finance and Department of the Civil Service. It has some 1,500 staff and a budget of some £24m. As the Department responsible primarily for the central management of financial and manpower resources within the NICS, the bulk of its expenditure relates to administrative costs, with the only other significant spending area being in relation to Superannuation (£9.2m in 1982/83).

Management Structure

2. The Department's management structure is organised into two groups:-
 - i. The Resources Group is concerned with co-ordinating and integrating the aspects of the Department's work concerned with the planning, allocation, control and efficient use of money and manpower resources and
 - ii. The Personnel Group is concerned with co-ordinating NICS activities in the personnel, recruitment, training, industrial relations and associated fields.

Additionally the Department administers the Valuation Office of Northern Ireland, the Ulster Savings organisation and the Central Pay Branch. As an aspect of the work of Resources Group a range of common efficiency services is provided embracing organisation and methods, work study, staff inspection and computer services. The Department directs policy and provides training in internal audit and computer audit.

3. The Department's top management group meets regularly at Under Secretary level, under the Chairmanship of the Permanent Secretary, to exercise overall co-ordination of the Department's activities.

The Approach to FMI

4. The Resources Group of the Department is responsible for the overall direction and co-ordination of the FMI in Northern Ireland Departments. This annex is, however, directed at the implementation of FMI in those functions which are essentially internal to DFP and is concerned with the Department's own operations and administrative processes.
5. The Department has a good base from which to develop its FMI work. A basic system of budgetary control has already been introduced under which financial responsibility is, to an extent, devolved to local managers. The system is proving its effectiveness as understanding and credibility develops between the centre and the participating budget holders. It will provide the basis for development of cost centres throughout the Department.
6. The main thrust of the Department's FMI work will be directed towards two developments:-
 - i. Refinement of the management information system which will give senior management more comprehensive information on how the Department's resources are being deployed in response to specific objectives.
 - ii. An integrated financial information system to provide managers with the data necessary for management of the Departmental cost centres, in a form compatible with the accounting requirements of the Public Expenditure and Estimates control systems.

Management Information System

7. A major feature of FMI is to provide top management with a comprehensive and co-ordinated view of a Department's objectives and the resources which achievement of those objectives requires. DFP which is a compact Department with a coherent set of responsibilities has been considering its own requirements in the light of its particular functions and structure. The result is a purpose-designed Key Areas Tally System (KATS) which is now being introduced. Full implementation of the system is planned to be completed within 6 months.

8. This system compiles information for each Under Secretary command and sets out objectives, the key areas of activity contributing to those objectives in the ensuing 6 month period and, where appropriate, the resource requirements of those activities.
9. The costs of such arrangements are negligible as the Key Areas Tally System is aimed at co-ordinating and structuring arrangements for collation, presentation and analysis of existing information. However, it will have two main benefits:-
 - i. it provides top management with a regular review of ongoing activity, thus enabling any necessary re-ordering of priorities or resource allocations to be considered against a composite backcloth;
 - ii. it provides a mechanism through which line managers can draw attention to difficulties which require to be resolved in the wider Departmental context.

Integrated Financial Management Information System (IFMIS)

10. DFP has no significant 'programme' expenditure, thus 'administrative' expenditure represents the main call DFP's functions place on resources. Accordingly, the Department is working towards the implementation of an Integrated Financial Management Information System (IFMIS) by 1 April 1984 to secure the best possible identification, monitoring and control of its administrative resources. Developments in this field are likely to have implications for other Departments' administrative expenditure and hence the DFP work has assumed the characteristics of a pilot scheme.
11. The integrated system will be fully computerised. It will provide the flexibility to meet requirements of cost centres/budget holders for detailed disaggregated data which they need for their financial management responsibilities, as well as meeting the 'aggregate' demands, for example, of Appropriation Accounts, Estimates and Public Expenditure Survey requirements. The system will provide computer-based monitoring at the micro and macro levels.
12. Progress is being made to designate cost centres/budget holders and identify their requirements. An agreed framework for the computer-based

system has been drawn up and the alternative means of providing the system's computer requirements evaluated. An Operational Requirements document has been issued and the processes of hardware and software selection and procurement are in hand.

13. Quantification of costs and benefits will be undertaken when a detailed plan has been drawn up. Initial costs are likely to be those of setting up a new system, namely the staff costs of development work, costs of outside advice/expertise and provision of computer requirements. Staff training costs will depend on the detailed system implemented. The system is aimed at two main benefits:-
 - a. full and immediate financial information for all decision making; and
 - b. flexibility to meet quickly ad hoc demands for information in any desired combination of features and at any level of aggregation and disaggregation.

Other Initiatives

14. There are a number of other initiatives which are being carried forward within the FMI framework:-
 - i. Valuation Division

The main recommendations of a recent Rayner exercise on Land Acquisition, Management and Disposal envisaged rationalisation of land-orientated services by integration of DOE Lands Service specialist staff into a Valuation and Lands Office with an enlarged remit. It is expected that a significant gain in efficiency will ensue when the new organisation is fully effective. The new structure will be particularly suited to being established as a comprehensive cost centre.

In addition the introduction of more sophisticated computer methodology in the work of the Valuation Office is intended. A comprehensive systems analysis and feasibility study is in train. There will be some limited gain in efficiency in the shorter term from direct linkage of the Valuation Office to the computer system in Rating Division. The more substantial benefits likely to accrue from radical update of Valuation Office methodology are expected to be fully realised by 1985/86.

ii. Ulster Savings

The Ulster Savings Branch, which is a distinct cost centre, is concerned exclusively with work arising in the administration of Ulster Savings Certificates.

There has been a recent review of organisation and procedures in the Ulster Savings Branch and this has resulted, inter alia, in recommendations for substitution of computers for more traditional methods of information storage and retrieval and other aspects of the operations. An Operational Requirements document for the new computerised system has been produced and hardware and software procurement procedures are in hand. It is expected that the new system will be brought into operation in the fiscal year 1984/85.

The Machinery for Implementing FMI

15. The Department has established a small top level steering group, chaired by the Under Secretary responsible for Departmental administration. The group has been given the responsibility for the overall direction of FMI and for ensuring the drive necessary for the implementation of the various initiatives on the timescale outlined.

DEPARTMENT OF FINANCE AND PERSONNEL
FINANCIAL MANAGEMENT INITIATIVE
ACTION PLAN

Component	Substance of Project	Paragraph	Achieved or Anticipated Effects	Progress and Timescale
The Key Areas Tally System (KATS)	The system collects, collates and presents information by Under Secretary commands, on objectives, key areas of activity contributing to the achievement of those objectives, and the resource commitments to the activities. The result is the presentation to top management of a flow of continuously updated information on the work of the Department.	7	Facilitation of synoptic overview by top management of all the work of the Department, so as to make easier the task of any necessary re-ordering of priorities in resource allocations. Provides also a running check on validity of organisation structures and serves to lessen dependence on subjective judgement in these matters.	The system has been designed and procedure developed and agreed, and a prototype was introduced with effect from 1 June 1983.
Integrated Financial Management Information System (IFMIS)	A fully computerised system which will provide the capability to capture, store, process, interrogate and retrieve information for the production of the Department's books of account, fund accounting, periodic statements at all necessary levels of aggregation and disaggregation, monitoring data for FIS and budgetary control, PES, Estimates.	10	The chief advantages of the new system are seen as the provision of comprehensive, immediate and reliable financial information as an essential input to decision-making; and a degree of flexibility adequate to meet demands for information in any desired combination of features and at any levels of aggregation and disaggregation.	The basic requirements of the system have been specified and preparation of a detailed Operational Requirement was completed in June 1983. The choice of hardware and software is in train and detailed design of the computer system is expected to be completed by the Autumn so as to facilitate installation and testing in January/February 1984. The target date for implementation is 1 April 1984.

Component	Substance of Project	Paragraph	Achieved or Anticipated Effects	Progress and Timescale
<p>Organisation and systems update in Valuation Office</p>	<p>(i) Comprehensive systems analysis and feasibility study with a view to more extensive use of computer technology;</p> <p>(ii) Implementation of agreed Rayner recommendations on integration of dispersed expertise on land matters in Valuation Office of DFP and Lands Service of DOE (NI).</p>	<p>14</p>	<p>(i) Limited gains in efficiency have already been achieved from linkage to the dedicated Rating Division computer system. More major gains are expected from extended use of computers.</p> <p>(ii) Creation of a rationalised Valuation and Lands Office will open the way for significant gain in efficiency and achievement of savings in 1984/85.</p>	<p>(i) A detailed feasibility study is in hand. Implementation of comprehensive computer systems expected in 1985/86.</p> <p>(ii) Implementation will commence in November 1983.</p>
<p>Introduction of computer methodology in Ulster Savings Branch</p>	<p>A review of organisation and procedures in the Ulster Savings Branch has resulted in decisions for substitution of computer for more traditional methodology.</p>	<p>14</p>	<p>When implemented the new methods will make for significantly more efficient operation, space and time savings and reduction of administrative costs.</p>	<p>A detailed Operational Requirements document has been produced and hardware and software procurement is in hand. The developed system is planned to 'go live' by the summer of 1984.</p>

DEVELOPMENT OF THE FMI IN THE DEPARTMENT OF THE ENVIRONMENT**Introduction**

1. The Department of the Environment with approximately 10,000 industrial and non-industrial staff is the largest Northern Ireland Department in employment terms and has an annual expenditure provision of some £620m.
2. The Department's functions include Planning; Roads; Water and Sewerage; Housing and Urban Affairs; Enterprise Zones; Ordnance Survey; Land Registry; Registry of Deeds; Land Acquisition, Management and Disposal; Comprehensive Development; Transportation (including Railways, Buses, Airport, Road Safety, Vehicle Licensing); the Fire Service; Public Records Office; Conservation; Historic Monuments and Buildings; Environmental Services including pollution control and access to the countryside; Local Government; Rate Collection; Works Service; the District Development Officer Service; and the necessary financial/personnel/land acquisition/servicing functions involved in the exercise of these responsibilities. Although implementation of these responsibilities is carried out in several different ways, eg through the Housing Executive, Fire Authority, transport companies and directly by the Department's own services, the Department has overall responsibility for determining policy and priorities, allocating resources, approving programmes and the Permanent Secretary of the Department is the Accounting Officer, responsible to Parliament for the voted expenditure involved.
3. The Department of the Environment has, in the past few years, developed financial and other information systems consistent with the principles and criteria outlined as the basis for the Financial Management Initiative.

Management Information Systems

4. The Department has introduced 3 specific information based systems which clearly define and monitor the Department's objectives, and the necessary financial and manpower resources to achieve these objectives, and from

which regular information is available about costs, manpower, and policy options requiring decisions.

a. Management Objectives

The system is a refinement and development of a basic Management Objective system introduced some years ago. All Branches/ Divisions produce annual statements of Management Objectives. These are monitored at appropriate levels of responsibility within the Department and the methods used reflect the diversity of functions and type of control necessary. The major objectives are monitored directly by a Departmental Board consisting of the most senior officers of the Department meeting monthly under the Chairmanship of the Permanent Secretary. It is the responsibility of the Board to deal with major issues, particularly those affecting more than one sector of the Department's activities, Departmental strategies and policies and the allocation and use of resources. This system is continually updated so that it can be quantified to the fullest extent possible in terms of input and output; so that it reflects the appropriate level of management responsibility within the Department; and so that it ensures maximum flow of information both upwards and downwards in the Department. In the current financial year there are 17 major objectives which will be monitored by the Departmental Board including oversight of the Department's financial systems and targets and such specific items as the public sector housing programme (with a quantified input and output); roads programmes with consequential policy implications for levels of maintenance, levels of staffing etc, transport policies and capital programmes; review of the Belfast Development Strategy; disposal of surplus lands; and issues on Water, Works, Environmental Protection etc.

b. Financial Accounting Systems

The systems operated by the Department are largely computer-based, providing data monthly for accounting and monitoring needs and fortnightly for cost control purposes in respect of major areas of expenditure such as Roads and Water. In these areas, total expenditure for each geographical Division for a particular period is analysed and attributed to relevant cost centres which may, for example, be districts or sub-divisions within a Division or

individual jobs as required by the nature of the expenditure. This computer-based information is used to provide data both for Appropriation Account Records and for the preparation of monthly expenditure and receipt monitor statements. These compare actual costs/receipts against estimates in both quantitative and percentage terms and also compare profiled costs against actual expenditure. Attention is paid to the control of general administrative costs, with particular attention being paid to the areas of travelling/subsistence/hospitality and general administrative expenses. In these areas estimated profile expenditure is produced at Divisional and Branch level as appropriate, with actual expenditure monitored on a regular basis against the budget. Regular printouts of such expenses for individual officers are produced and issued to the senior manager at each cost centre for appropriate managerial action.

c. Central Management Unit

The Central Management Unit has specific responsibility for the co-ordination of central functions and the development of management efficiencies and systems within the Department. This Unit has given priority to the production of a detailed strategy for computerisation, particularly of financial management systems, and to the carrying out of a number of management assignments to improve the efficiency and effectiveness of Departmental Services. The Unit is also responsible for the internal audit of the Department. Internal audit has been developed so that the audit is now systems-based audit relating to accounting and other procedures. This enables weaknesses in financial and other systems to be identified at an early stage so that there can be close co-operation with the relevant Service, Finance and Personnel Divisions to ensure that any deficiencies are remedied as quickly as possible. The Unit also deals with matters such as Exchequer and Audit queries, proposals for write-off etc so that there is opportunity to identify instances where Departmental machinery has not worked effectively and where corrective action is necessary. There has been a noticeable improvement in the handling of centralised services and the development of consistent and uniform systems throughout the Department.

Programme Reviews

5. The systems for Management Objectives and Financial Accounting Systems described above provide information about the various sectors of the Department and the use by these sectors of the resources allocated to them, in terms of input and output. The Department has also initiated regular in-depth reviews of its major functions. Such reviews require the Service to justify in detail the resources allocated to it in terms of its achievement of quantifiable objectives of strategy and policy. Housing and Roads have already been the subject of such reviews and an exercise is currently under way with the Water Service. The Housing review was based on the results of the House Condition Surveys of 1974 and 1979 which enabled the Housing Executive to measure in quantitative and qualitative terms the physical effects of certain levels of housing investment during that 5-year period. Subsequently it was possible to construct and cost agreed physical programmes in the form of a composite Housing Strategy which will continue the improvement in housing conditions during the period to 1984. Such programmes related to Capital Works on new house building and improvements, required levels of expenditure on private sector house renovation grants, maintenance and management of public sector stock and expenditure by Housing Associations. The result of this strategy will be measured with the findings of a further House Condition Survey in 1984.

Development of Systems

6. The Department is now heavily involved in the development of a number of new computer-based information systems and an extension of existing systems.
7. From the beginning of the financial year 1983/84 the receipts and payments arising from the Department's Works Service (which transferred to the Department on 1 April 1982) have been fully computerised so that the same financial systems as have been operating in other Services such as Roads and Water will now be available to Works Service. At the same time, the Rate Collection system operated by the Department has been fully computerised, as a result of which there will be significant savings in costs and manpower, the closure of 13 offices, the introduction of a single billing system and a very significant improvement in the financial

and administrative systems operated by the Rate Collection Branch. Further enhancements of the system will be completed during the current financial year. The systems referred to in paragraph 4a. above have again been completed and so for the current financial year there are detailed Management Objectives, detailed budgets including profiles of expenditure for each Division, Service and appropriate cost centre.

8. Within the next 12 months, the Department proposes to introduce a computer-based stores Information System covering its major Services. This is in course of preparation, is related to the assignment in paragraph 12 below and is intended to provide a computerised facility for recording information about quantity, age, cost etc of stores held by these Services.
9. During the current financial year it is intended to introduce a computerised system for calculation of Productivity Bonus for Roads and Water Services, the calculation of which is at present labour-intensive. This would be an integral part of a management accounting system for these Services and would also enable the extension of productivity schemes within these Services which is not possible at present because of manpower constraints in producing productivity bonus payments. In subsequent financial years it is intended to extend the productivity bonus payment calculation into a comprehensive industrial payroll scheme whereby the calculation of pay and productivity bonus would happen simultaneously with a single input at point of source.
10. The Department's Planning Service processes a very considerable number of planning applications annually and it is intended to introduce a computerised development control system. This would be based on specified control centres and would ensure that management targets for the processing of such applications could be maintained and improved upon.
11. Beyond the current financial year, the Department intends to develop proposals for further extension of the accounting system into Management Accounting, the use of applications for capital programmes, the production of further performance indicators etc.
12. There are also a number of major efficiency assignments designed to improve the financial and other systems currently operating within the

Department. During the next 12 months a review of the maintenance of Plant and Vehicle Fleet will be completed, as will a major review of the organisation, location and procedures for Departmental Stores. It is likely that the results of both these investigations will produce recommendations aimed at improving the efficiency and effectiveness of stores, plant and vehicle maintenance and other related operational matters which are the Department's responsibilities. The Department has also initiated an investigation into the central purchasing of materials on a value for money basis during the year.

13. At present, the Department is engaged on a comprehensive review of the use of Information Technology in its activities. This review will be completed in the current financial year and inter alia, will update the priority needs for the use of computerisation, improved communication, information systems etc as part of FMI.

Machinery for Implementing FMI

14. Specific responsibility for the direction and progress of the FMI within DOE lies with the Central Management Unit. The Unit has recently been streamlined to concentrate on its core tasks of co-ordination and the development of management efficiency and systems. The machinery exists within the unit to keep the FMI work under review and to ensure that timescales are met.

Summary

15. The Department already has a series of well tried and tested information systems but is presently in the process of reviewing these, of enhancing existing systems, developing new systems and assessing opportunities for improvements in its financial management. DOE(NI) is firmly of the view that its activities to date and future proposals reflect the importance of sound financial management as required in the Initiative.

DEPARTMENT OF THE ENVIRONMENT
FINANCIAL MANAGEMENT INITIATIVE

FUNCTION	PARAGRAPH	WORK PROGRAMME	TIMESCALE
1. All Departmental functions	4(a)	Production of Management Objectives for 1983/84	March 1983
2. All Services and Divisions	4(b)	Production of detailed budgets and profiles of expenditure for 1983/84	March 1983
3. Works Service	7	Introduction of computerised accountancy systems	April 1983
4. Rate Collection	7	(i) Computerisation of rate collection procedures	April 1983
		(ii) Further enhancements of the system	December 1983
5. Roads and Water	8	(i) Introduction of computerised stores information system at Divisional level	March 1984
		(ii) Extension of system to other services and to Divisional level	December 1984
6. All Departmental functions	12	Review of procedures for Plant and Vehicle maintenance	July 1983
7. All Departmental functions	12	Review of current arrangements, procedures etc for stores	September 1983
8. All Departmental functions	12	Review of current purchasing policies	September 1983
9. Roads	9	Computerisation of Productivity Bonus calculations	October 1983

FUNCTION	PARAGRAPH	WORK PROGRAMME	TIMESCALE
10. Water	9	Computerisation of Productivity Bonus calculations	December 1983
11. Roads and Water	9	Comprehensive Payroll system implementation	September 1984
12. Planning	10	Computerisation of Development Control systems	March 1984
13. Water	5	Completion of Programme Review	June 1983
14. Roads and Water	11	(i) Computerisation of Capital Programmes	June 1984
		(ii) Introduction of Management Accounting Systems	September 1984

DEVELOPMENT OF THE FMI IN THE DEPARTMENT OF ECONOMIC DEVELOPMENT**Introduction**

1. The Department of Economic Development (DED) was founded in September 1982 by the merging of the former Departments of Commerce and of Manpower Services. At the same time the new Industrial Development Board (IDB) for Northern Ireland was established within the Department. In addition to the broad task of co-ordinating industrial and manpower policy in Northern Ireland, DED is responsible for a wide and heterogeneous range of specific industrial and employment functions. The main areas of activity, the related companies, public corporations and other bodies falling within the Department's field of responsibilities and the principal elements of the Department's 1983/84 budget of approximately £400m are summarised in a table at the end of the annex. DED currently employs a total of approximately 2,900 including approximately 250 industrial staff.

Central Controls

2. To provide the cohesion and co-ordination necessary to control the Department effectively, a Departmental Management Committee (DMC) has been established consisting of the Chief Executive of the IDB, the Deputy Chief Executives of the IDB and the Under Secretaries of DED, under the chairmanship of the Permanent Secretary. The primary function of DMC is to consider issues of strategic importance to the Department as a whole, including the identification of areas in which new policy initiatives should be considered, the deployment of the Department's central policy development resources for this purpose, the adoption and ranking of new policy objectives and the allocation of financial and staff resources among competing programmes. As part of the planning process, DMC considers all PES and Estimates proposals submitted by Finance Division after bilateral discussions with individual spending Divisions, and under the recently introduced system of Management Planning (described below) all plans are subject to scrutiny and approval by DMC. Financial management is currently the responsibility of a central Accounts Branch as

regards day to day accounting matters and of a central Management Finance Branch as regards the operation of internal and external financial information systems. Monthly comparisons of actual and budgeted expenditure are undertaken and heavy emphasis is placed on identifying, at the earliest opportunity, deviations from forecast outturn.

3. In the case of the larger executive functions (Government Training Centres, Consumer Protection Services, etc) the major administration costs are separately identified in the vote structure. Otherwise, administration costs are aggregated within a central vote under the control of Personnel Division which leads in the annual Rayner Scrutiny of Departmental Running Costs. All aspects of staff complementing throughout the Department fall under the control of Personnel Division.

Audit

4. The soundness and effectiveness in practice of the Department's financial control systems are monitored by a central Internal Audit Branch serving both Accounting Officers, working to a programme approved by DMC. The Internal Audit Branch's work is focused sharply on the examination of systems rather than on narrower financial objectives and it is expected that its areas of activity will, in due course, take in the Department's fringe bodies. High priority is being given to the training and development of internal audit staff.

Management Planning

5. The Management Planning system referred to above came into operation on 1 April 1983. Under the system, the Department is divided into a number of reporting units each under a designated manager who will be personally responsible for the planning, monitoring and efficient management of the discrete segment of Departmental business under his control. The reporting units, answering through Under Secretaries to the Permanent Secretary (or in the IDB, through Deputy Chief Executives to the Chief Executive), generally correspond to Assistant Secretary commands but it is an important feature of the system that it should promote within

management blocks, the clear definition of responsibilities and the allocation to subordinates of precise areas of authority and accountability.

6. Management Plans cover a period of 12 months ahead and are to be reviewed and rolled forward every 6 months. The prescribed format for plans concentrates attention on the following key points:-
 - a. the long term aim of the activity;
 - b. the major objectives to be achieved within the planning period, ranked in order of priority and whenever possible, concretely defined or quantified to provide a firm yard-stick against which performance can subsequently be measured;
 - c. the resources allocated to the area - programme expenditure, staff numbers and administration costs - with an analysis of any conflict between these provisions and the stated objectives;
 - d. the constraints within which the manager will have to work in seeking to achieve his objectives;
 - e. an appreciation of the linkages between the manager's area of activity and those of other managers within DED or in other Departments, to facilitate the harmonisation of objectives; and
 - f. an evaluation of how the area's activities might be adjusted if either marginally more resources should become available or a marginal reduction in resources should have to be absorbed.

MINIS

7. DED's MINIS will be built on the Management Planning system. The first document, completed at end-May provided Ministers and senior officers with a summary of the Department's organisation; 1983/84 main objectives; 1983/84 manpower allocations; 1983/84 financial allocations and provisional financial allocations for 1984/85 and 1985/86. When the cycle is established, the main (April) MINIS will include a summary of performance against objectives in the previous 12 months and the supplementary (October) issue will highlight major changes in plans or shortfalls in performance.

Specific Initiatives

8. While many of the objectives set by managers in their 1983/84 Plans are relevant to the FMI, the following are particularly noteworthy:
- a. Sponsored Companies etc. A co-ordinated review by sponsoring Divisions of their arrangements for controlling the Non-Departmental Public Bodies (NDPB) for which they are responsible is currently nearing completion. Attention has been given particularly to arrangements for the preparation of Annual Reports and Accounts and to the need to ensure that proper systems of financial management are devised and effectively operated by each NDPB. In examining its relationship with its NDPBs in this way however, the Department will be concerned to ensure that within the controls necessary to secure the Department's position of accountability, Bodies are given maximum freedom to manage their own affairs.

In the case of Shorts and Harland & Wolff, arrangements have been made for the engagement by the Department of consultants to advise on the validity of corporate plan proposals by both companies, to monitor all aspects of performance, to assist with the development of future strategy on which subsequent plans would be based and to consider and advise on specific projects. Also in the context of nationalised industry policy, the Department is considering the drawing up of strategic objectives for both companies and defining the role of non-executive directors.

In the case of the Northern Ireland Electricity Service (NIES), DED is operating a comprehensive system of monitoring and financial control. The system has as its main elements, corporate planning; monitoring and performance aims; a review of the opportunities for reducing oil dependence; and an efficiency audit. Because the Monopolies and Mergers Commission was not able to undertake the work within the required timescale, the Department, with the approval of Ministers, arranged for consultants to carry out the efficiency audit and the consultants' report will be used as a basis for agreeing with NIES a set of medium-term objectives.

The policy framework within which the Local Enterprise Development Unit (LEDU) operates is determined by Directive and Letter of Interpretation issued by the Department. These documents are being reviewed with the object of achieving a consistency of industrial development policy between IDB and LEDU, while recognising in the operational procedures to be followed, the differences in structure of the two bodies.

- b. Computerisation Programme. An initial study by consultants of the opportunities for computerisation throughout the Department was commissioned. The study identified those areas which, for systems reasons, should be taken together and those which should be examined in more detail as a matter of priority. In the case of a number of high priority, stand-alone areas (including the IDB Industrial Estates, International Marketing and Corporate Finance functions; and Companies Registry records) detailed specification preparation work has already been started. The computerisation of the Department's accounting, grant payments and financial management information systems and the construction of a comprehensive database on companies assisted by the Department to cover their employment, the nature of their activity, and the assistance provided to them are also regarded as high priority requirements. At this stage the timescale for completing the various projects and the resource implications cannot be accurately estimated.

FMI Development Programme

9. The Management Planning scheme is expected to provide the principal vehicle for the development of the FMI within the Department. Although an effective management tool in its present form, the system leaves room for expansion and refinement, and successive management plans will make progress in areas such as the systematic review of policies and objectives; the measurement of outputs; the alignment of output objectives with expenditure estimates; the development of useful performance indicators; the identification of cost centres at lower levels and the delegation of responsibilities for these; and the development of better management information systems.

Senior Officers have been addressed by the Head of the FMI Central Unit on the general aims of the Initiative and have taken part in a series of seminars conducted by Central Unit staff on more detailed aspects of the Initiative. Since junior as well as senior staff have been involved in the preparation of plans, the introduction of Management Planning has served to stimulate a practical interest across a broad spectrum of the Department's staff in the principles underlying FMI. This will be reinforced in 1983/84 by a series of familiarisation courses for all staff down to Staff Officer level.

A number of senior officers have already attended the Senior Administrators Finance Course and other FMI-related courses conducted by the Civil Service College in GB and the Department will continue to make full use of this training resource.

It is envisaged that, within DED, FMI will continue to be led by Finance Division supported by Co-ordination Branch and that no additional staff resources will be required for this purpose although the position will be kept under review.

DEPARTMENT OF ECONOMIC DEVELOPMENT

Main Activities, Sponsored Companies or Bodies and Elements of Expenditure

	<u>Sponsored Companies etc</u>	<u>1983/84 (rounded)</u> £m
Industrial Development Board		92
Small Business Development	LEDU	11
Shipbuilding & Aircraft	Short Brothers Harland & Wolff	50
Capital Grants		37
Tourism	NI Tourist Board	5
Gas		31
Electricity	NIES	66
Ports		1
Employment Services	Enterprise Ulster	29
Rehabilitation and Employment of Disabled Persons	Ulster Sheltered Employment	1
Industrial Training	Industrial Training Boards/NI Training Authority	37
Other Labour Market Services	Fair Employment Agency Labour Relations Agency Equal Opportunities Commission Health & Safety Agency	24
European Community Funds		
Trade Regulation and Consumer Protection Services		
Industrial Science Services		
Administration		
Salaries		15
Other Administration Costs		5

DEPARTMENT OF ECONOMIC DEVELOPMENT

FMI DEVELOPMENT PROGRAMME

AREA	ACTION	DATE
1. MINIS	First report issued	May 1983
	Review form and content of main and supplementary reports and incorporate improvements in April 1984 report	March 1984
2. Management Planning	Six month review of performance against management plans	September 1983
	Determine key FMI themes for inclusion in 1984/85 management plans	December 1983
3. Financial Monitoring	Revised monthly expenditure monitoring arrangements initiated	May 1983
	Review effectiveness of new arrangements and revise as necessary	September 1983
4. Control of Non-Departmental Public Bodies	Sponsoring branches complete negotiations with NDPBs for implementation of new control arrangements.	September 1983
	Review operation of new controls and revise as necessary.	March 1984
5. Staff Training	Complete FMI familiarisation training of all staff down to Staff Officer level	March 1984

DEVELOPMENT OF THE FMI IN THE DEPARTMENT OF AGRICULTURE**Introduction**

1. The Department of Agriculture is the third largest of the NI Departments in terms of staff, with a complement of approximately 4,800 (3,200 non-industrial and 1,600 industrial staff). In addition to administrative and clerical personnel the non-industrial staff include a wide range of technically qualified people including agriculturalists, veterinary surgeons, foresters, engineers, and scientists of various kinds. The industrial staff are employed mainly on forestry and arterial drainage work, together with the operation of agricultural colleges and experimental farms.
2. The Department has 3 broad aims:-
 - i. to help those engaged in the farming, fishing and forestry industries to achieve a standard of living comparable with that of other sections of the community;
 - ii. to help the agricultural, fishing and forestry industries to make the maximum contributions to the development of the economy;
 - iii. as far as possible to combine i. and ii. with the preservation of a pleasant rural environment.
3. Annual expenditure is in the region of £70m, about two-thirds of which could be classed as programme expenditure. The Department also plays a major role in the administration of schemes in NI for the Ministry of Agriculture, Fisheries and Food and the Intervention Board for Agricultural Produce.
4. The Department's financial management system is based on reviews carried out in the late 1960s and early 1970s and the cost centre concept which flowed from the Fulton Committee Report in particular has been fundamental to the methodology of the financial control systems developed since that time.

Cost Centres

5. A network of cost centres/Divisions is already in existence and the overall Departmental Estimate is built up from input data gathered at grass roots level at these centres and aggregated centrally to Vote and Programme totals. As part of the Annual PES review each senior manager is required to consider bids for additional resources, options for reductions arising in all programmes under his control, and the establishment of priorities within the total cash ceiling available to him. Bids for additional resources and/or re-allocation of spare provision within programmes must have the concurrence of Finance Division which exercises central control over the Departmental Budget under the direction of the Principal Finance Officer. When priorities have been established and estimates approved, individual budgets are notified to centre managers who are then accountable for the financial resources which they use. Each centre is required to profile its approved budget, and monitoring of expenditure against profile is carried out both locally, by centre management, and centrally by Finance Division. Certain costs are still controlled centrally eg staff and accommodation, but in these cases details are notified to centres so that local management have a full appreciation of the total costs of their operations.
6. Where individual officers within a cost centre deal with a variety of schemes or services or where expenditure on a function relates almost entirely to staff costs, comprehensive arrangements exist for the costing of such schemes and services based on work returns by each officer. Costs are calculated centrally on a quarterly basis and are notified to line managers for monitoring action etc.
7. Establishment of policy objectives and quantitative targets towards achievement of these objectives is a matter for each senior policy manager in conjunction with the cost centre/Division Manager. In certain areas of the Department's activities targets can readily be established in precise quantitative terms, eg, area of land to be planted/harvested in the Forest Service, and this is a feature of the activities in such areas. In others, however, progress is more difficult, eg, research, and considerable work still remains to be done.

8. One of the major overall strengths of the present management system stems from the compactness of the Department which facilitates a ready flow of information from and to senior management and in addition enables matters affecting policy to be discussed by senior management as a whole. A senior management policy group meets weekly under the chairmanship of the Permanent Secretary and it is in this forum that the views and interests of all areas of the Department including Finance and Personnel are brought together for consideration and discussion.

Development of FMI

9. The Department's basic objectives under FMI are to extend and improve the existing management system on several fronts. There are however two key areas recognised as fundamental to the general thrust of FMI and incorporated as specific objectives in their own right in the Departmental Plan. These are:
 - A. Development of a Comprehensive System of Management Targets And Performance Indicators.
10. Commencing in 1983/84 the Department will be seeking to refine and extend the work already carried out in this area and this will entail a series of bilateral discussions between Finance Division and spending Divisions. In the first instance all Divisions and centres will be expected to have a formal statement of broad objectives, approved by their senior line management. Within these overall objectives, specific targets for the year ahead will then be set, in quantitative terms where possible, against which performance can be monitored and achievement recognised.
11. As already indicated, this type of quantitative monitoring is already carried out in those areas which most readily lend themselves to this approach but there remains a great deal of work to be done in the more difficult areas, eg, research and development, before any fully comprehensive system can be established.

B. Management Information System

12. Allied to the quantitative monitoring at paragraph 11 above will be the introduction of an improved financial management information system which will marry the detailed financial data on programme estimates, expenditure and overheads. Full benefits will be dependent on computerisation of all financial records and as a first step towards this end Finance Division has recently undergone a radical re-organisation along functional lines. Previously the Division was organised on a Vote basis and as a consequence of this there were common elements of work across all four Accounts Branches. The new Divisional structure took effect in April 1983 and will enable computerisation to follow over the next 2 years. The first stage in this process will be the computerisation of all book-keeping and accounts work and this will be achieved in phases (one Vote at a time) commencing in mid-1983. Normal manual book-keeping will continue "in tandem" until the operations have been fully tested. Financial monitoring will also be incorporated into the system in the shape of detailed monthly reports of expenditure against profiles, the latter built up from information received from cost centres/Divisions. Some detailed work will be necessary to format the output to suit central monitoring requirements. Computerisation of PES is also envisaged and development work on this will commence later in 1983.
13. By 1986 all financial records should be on computer and this will enable substantially more information to be produced on detailed costs (both programme and administrative) in all areas, with improved and faster feedback to centres and Divisions. Computerisation will also enable scheme costings to be extended and this will be done as far as is practicable, with all Departmental staff costs allocated to particular schemes or services within programmes.
14. The overall aim in A and B is to produce systems which will provide to all levels of management the fullest possible information (both physical and financial, having regard to the cost of collection relative to its value) which can be used to assess past performance and as a reliable basis for future decisions on programme priorities with optimum use of available resources. The FMI is also being taken forward on two other fronts:-

a. Further Extension of Cost Centre Approach

An investigation is presently being pursued to establish the practicability and possible advantages of delegating responsibility to centres for certain items still handled centrally, eg, telephones, electricity, printing and stationery, maintenance etc works on specialised buildings. Delegation will be exercised to the fullest possible extent but in areas where it does not prove to be viable the cost of centrally controlled services will always be notified to managers so that they will be aware of the full cost of their operations and can take account of their "on costs" in the decision making process. In the case of maintenance etc work on specialised buildings it will be necessary to carry out a pilot study to assess feasibility, cost-effectiveness and advantages of this approach before a final decision is taken. This pilot study will be initiated during the latter half of 1983/84 financial year.

b. In-Depth Policy Appraisals

A top management review of policy, priorities within programmes, resource management etc in specifically chosen areas of the Department's activities is planned to become a permanent feature of procedures and the first of these reviews was carried out in November 1982.

A timetable which illustrates in some detail the various development stages on all FMI fronts is appended.

Review of Progress

15. FMI is part of a process of continuing evolution of management practice within the Department. It is the intention to monitor progress on all FMI fronts, on the basis of the outline timetable, and other more general reviews will continue to take place at regular intervals. Changing circumstances and/or new initiatives (internal as well as external) will also influence progress.

FMI Staffing/Training Implications

16. The overall direction on FMI will rest with the Principal Finance Officer under the guidance of the Department's senior management. It is clear that additional staffing resources will require to be committed to the work programme and precise requirements are presently being assessed within the Department.
17. Delegation of additional responsibilities to centres will in some areas necessitate additional audit presence, particularly where centres are being given fully devolved accounting responsibilities for the first time. This, together with the need to extend audit into the field of Value for Money work which in itself is complementary to the general thrust of FMI, will in due course necessitate strengthening of the Internal Audit Branch.
18. The selection and training of staff involved in financial management at centre/Division level, and in financial and accounting procedures in Finance Divisions will continue to receive priority within the Department, and staff will be encouraged to attend appropriate external courses as the opportunity arises. Internal courses, seminars etc - both formal and informal, are used to develop the general management skills of staff at all levels. The need for a specific course on Investment Appraisal has already been identified and nominations made.

DEPARTMENT OF AGRICULTURE
FMI - TIMETABLE OF DEVELOPMENTS

Planned Improvements	Timetable	Development Stages
1. Development of a comprehensive system of management targets and performance indicators	May 1983	(i) Discuss with senior management the way forward, in the light of their reaction to the preliminary paper circulated by Finance Division on this subject.
		(ii) As part of the next PES round all centres/Divisions required to produce a statement of broad objectives cleared and approved by their senior management.
	Dec 1983	(iii) Assess progress, discuss problem areas with local management and report to senior management.
	Mar 1984	(iv) Initiate discussions with local management on target setting and development of progress indicators for the immediate period ahead, within the context of the broad objectives etc already approved.
		(v) Identify problem areas and consider pilot studies to assess feasibility of quantitative monitoring with particular reference to cost/benefits.
	Oct 1984	(vi) Assess progress and report to senior management. Agree the way ahead in all areas.
	Mar 1985	(vii) Implement agreed systems in all areas where this is possible. Continue follow-up work in difficult areas.
	Mar 1986	(viii) Full implementation of new monitoring systems.

Planned Improvements	Timetable	Development Stages
2. Improved Financial Information System through restructuring of Finance Division and eventual computerisation of all financial records, including an extension of the costings arrangements for all schemes and services.	April 1983	<u>A. Restructuring and Computerisation</u>
		(i) Restructuring of Finance Division on functional lines to facilitate planned computerisation of all financial records. (ii) Continue preliminary development work on computerisation of book-keeping and accounts and associated financial monitoring systems.
	June 1983	(iii) Begin phase 1 of computerisation (Book-keeping etc Votes 1 and 2) (manual system to run in tandem). Link in computerised monitoring as soon as possible.
	Jan 1984	(iv) Evaluate Vote 1 and 2 computerisation trials and clear with E&AD.
	April 1984	(v) Votes 1 and 2 go "live". Initiate phase 2 trials (Vote 6) with manual system running in tandem.
	Jan 1985	(vi) Evaluate Vote 6 trials.
	April 1985	(vii) Vote 6 goes "live". Initiate phase 3 trials (all other Votes).
	April 1986	(viii) Full computerised system in operation.
		NOTE: In addition to the above, development work will begin on computerisation of PES during 1983 and on scheme costings early in 1984. It is not possible at this early stage to specify a detailed timetable for this work but completion by 1986 is envisaged.

Planned Improvements	Timetable	Development Stages
<u>B. FORMALISED MANAGEMENT INFORMATION SYSTEM</u>		
	April 1983	(i) Senior management to consider information requirements and costings relative to their own areas of activity.
	June 1983	(ii) Initiate bilateral discussions with senior management and Divisional/cost centre managers to define information needs precisely with a view to taking account of proposals in Finance computerisation plans.
	April 1984 to April 1986	(iii) Consider format for presentation of information on a regular basis to Senior Management Group and link in with phased computerisation of all financial records.
3. Further extension of cost centre approach through additional delegation of responsibility wherever feasible or, alternatively, dissemination of detailed information on costs.	May 1983	(i) Initiate review of all centrally controlled expenditure items (eg telephones, electricity etc).
		(ii) Discuss with Headquarters Divisions and cost centres the feasibility and logistics of delegation, or alternatively the dissemination of detailed information on costs.
	May 1984	(iii) Initiate pilot scheme(s) where necessary to test viability.
		(iv) Initiate (in conjunction with Works Services Division and an appropriate cost centre) a pilot scheme to examine viability of delegation of responsibility on specialised building works.
	March 1985	(v) Review progress on (ii) & (iii) and make final decisions on delegations.
	April 1985	(vi) Review progress on (iv) and agree the way forward.

Planned Improvements	Timetable	Development Stages
4. In-depth policy appraisals	August 1983 (& each year thereafter)	(i) Arrange consultations with Finance Division Senior Management and Accounting Officer to determine extent and coverage of 1983 review, refinements on 1982 exercise etc.
		(ii) Advise Heads of centres/Divisions whose areas of work are to be reviewed.
	Oct 1983	(iii) Provide all necessary information to enable review to be conducted.
	Nov 1983	(iv) Follow-up as required on financial matters.

DEVELOPMENT OF THE FMI IN THE DEPARTMENT OF HEALTH AND SOCIAL SERVICES**Introduction**

1. The Department administers two main programmes - health and personal social services, and social security. In respect of the former, the Department is responsible for policy, planning, resource allocation and monitoring, and for certain executive functions such as capital works and management services, while local planning and management of the services is delegated to four agent Health and Social Services Boards and associated central Bodies. The Social Security programme is administered directly by the Department.

2. The Department employs over 6,000 staff, mainly in social security, and has a budget of over £1,700 million in 1983-84, of which £642 million will be spent on health and personal social services, £1,026 million on social security and £65 million on administration. The Permanent Secretary is responsible as Accounting Officer for the Department's total expenditure. In practice overall financial control is exercised on his behalf at Under-Secretary level by the Principal Finance and Establishment Officer. Under Secretaries and chief professional officers form the Top of the Office Group which meets regularly under the chairmanship of the Permanent Secretary to deal with the planning and allocation of resources and to monitor progress.

Current systems

3. In constructing a programme of work under the Financial Management Initiative, the Department had a sound base on which to build:-
 - a. The existing system of Departmental budgetary control forms an integral part of the overall management of Departmental resources. Expenditure is allocated to budget holders who profile their planned spend on a monthly basis. Monthly budgetary control reports are issued to senior management, and periodic budgetary control meetings are held at which performance is reviewed and adjustments made as necessary.
 - b. Close co-operation between the Department and the Boards on the development of accounting and financial control systems covering expenditure on the Health and Personal Social Services.

- c. A well developed system of internal audit, covering expenditure on Departmental administration, social security benefits, and central health and personal social services expenditure, which is now principally systems-orientated.
 - d. The newly introduced MINIS system which links information on expenditure and manpower to Departmental objectives.
4. The Department recognised that its present manual systems for accounting and budgetary control did not enable administrative expenditure to be allocated to cost centres, and computerisation of its accounting system was a pre-requisite. Computerisation of Board financial systems was also needed to develop budgetary control to the level necessary. The audit resource applied to Boards needed to be re-assessed to put greater emphasis on systems audit and value for money concepts. The planning system for Health and Personal Social Services needed further development, with the use of performance indicators linking financial, manpower and activity data. Work had begun on a long-term strategy for Social Security operations. These are the areas of activity in which the Department has developed its programme of action.

Departmental systems

MINIS

5. A Management Information System for Ministers (MINIS) was introduced in the Department on a trial basis in September 1982, linking expenditure and manpower to Divisional objectives for a six-month period. The second MINIS report, published in April 1983, developed the system further, including statements from professional groups as well as administrative Divisions. Progress is shown on the achievement of the objectives set for the first period, and new objectives are set for the six months ahead. Objectives have been related to main functions within each Division, and staff costs and complements are attributed to these functions. The basic format now established will be used in future MINIS reports.

Accounting System

6. Following a feasibility study, work is now proceeding urgently in conjunction with Computer Services Division of DFP to computerise the Department's accounting system. The target date for implementation is April 1984, and the scheme is being used to pilot in Northern Ireland the PROMPT methodology for new computer systems.

Budgetary control of administrative costs

7. The Department is introducing a new approach to budgetary control of administrative expenditure, similar to that being developed in DHSS (Great Britain). Administrative costs which consist of staff salaries, travelling and subsistence, postage, printing, telephones and general accommodation costs, etc, are at present carried by central Divisions. In future they will be charged to identified cost centres which will make managers conscious of the full costs of their operations and enable them to prepare their own budgets. It will also give better costing information to senior management through later MINIS reports. This new system is dependent on computerisation of the accounting system (paragraph 6 above) and will therefore be phased in from April 1984 so that budgetary control of administrative costs on the new basis can begin from April 1985.

The HPSS programme

Budgetary control and accounting systems in Boards

8. All Boards have budgetary control systems, with varying use of external computer facilities. Work is now well advanced on developing an in-house system, based initially in the Southern Board. A Liaison Group has been established to ensure the acceptability of the system on a Province-wide basis. Agreement has been reached on the specification for salaries and wages, and work is proceeding on the other elements with a view to phased implementation of the system during 1984.
9. Private sector management consultants were engaged to examine financial systems in the North and West Belfast District of the Eastern Board, and recommend improvements to secure more effective financial control and management information. An initial study lasting two months has now been completed.

Audit Systems

10. The Department is reviewing with Boards the respective roles of internal and Departmental auditors, with a view to securing a proper balance between the traditional and necessary audit for financial regularity and that aimed at securing efficiency and value for money. The findings of a working group reviewing audit arrangements in the NHS in England will be taken into account. A joint seminar in January for internal and

Departmental audit staff has been followed up by systems audit training by external trainers which has covered all the staff concerned.

11. Apart from the work outlined above on improving financial systems, the Department has in train some wider initiatives to improve resource management and secure effective performance, as follows.

Structure and Management

12. The current review of structure and management is designed to ensure that management is effectively delegated to units; that chief officers are freed to concentrate on strategic issues; and that clinicians become more involved in management. New management structures were partially introduced with effect from 1 April 1983.

Planning System

13. Under the planning system, introduced in 1980, Boards' strategic and operational plans have been received and the Department has prepared a Regional Strategic Plan on which consultations are taking place prior to formal publication. The planning system will be progressively developed as the key to the effective use of resources. An important aspect of this will be the linking of statistical data on activity and manpower to financial information, and the reports of the Steering Group on Health Service Information in the NHS in England are being taken as the basis of a local review of HPSS information systems now under way.

Performance Indicators

14. The Department proposes to institute in the current financial year a series of annual performance reviews with each Board. For this purpose, performance indicators have been developed to serve as background to the reviews, starting from the basis of similar English reviews and extending to include the personal social services.

The drive for economy and efficiency

15. Boards and associated Bodies have drawn up programmes of savings through greater efficiency in the services they provide so as to re-deploy resources saved into priority developments. The Department has issued a policy circular on this topic outlining a programme of action for the achievement of a minimum level of savings of 0.5% in each of the next two financial years.

The Social Security Programme

16. Expenditure on social security benefits is demand-led, and not cash limited. The Department has, however, well-established procedures for the internal audit of benefit expenditure, covering both local Social Security Offices and central benefit Branches. In recent years, increasing emphasis has been put on systems audit, and the Department has participated in staff training courses, supplementing "desk training", under the guidance of private sector management consultants who will be carrying out a review of procedures during 1983. The administration of benefits accounts for the bulk of the Department's administration costs, and the work on the budgetary control of administration costs (paragraph 7 above) will contribute significantly to good financial management in this area of expenditure.

17. It is clearly important to secure efficient and effective operational systems for the delivery of social security benefits, which have tended to grow up piecemeal in response to changes in benefit rules and the introduction of new benefits. In parallel with DHSS (Great Britain), the Department has now therefore begun work on a strategy for Social Security operations. This is a long-term exercise designed to improve operational efficiency and flexibility, reduce administrative costs, and improve both the quality of service to the public and the work of the staff. It involves rationalising data and procedures, and investing heavily in computer and other new technology within the framework of an operational strategy covering the next ten to fifteen years. A Steering Group on this work is supported by a small new Branch, and project teams have been set up jointly with the Computer Services Division of DFP to complete a number of studies by 1 December 1983. The results of these studies will lay the foundation for the implementation of the strategy in phased stages.

Conclusion

18. The initiatives outlined above are designed to strengthen internal financial management and to ensure effective management of programme expenditure within the Department of Health and Social Services.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

FINANCIAL MANAGEMENT INITIATIVE

ACTION PLAN

<u>Component</u>	<u>Action</u>	<u>Para</u>	<u>Progress to date</u>	<u>Timescale</u>
<u>Departmental Systems</u>				
1. MINIS	Roll forward in future reports	5	Second report published April 1983, reviewing achievement of objectives and setting new objectives for 6 months ahead	Further review due Sept/Oct 1983
2. Budgetary control	Develop budgetary control of administration costs by cost centres	7	Review of system and identification of revised cost centres is well under way	Implementation of new system planned for April 1985
3. Accounting system	Computerisation	6	Feasibility stage completed. Proceeding to implementation in conjunction with CSD, using PROMPT methodology	Target date for implementation April 1984
<u>The HPSS Programme</u>				
4. Board Financial systems	Computerise budgetary control	8	Specification for Salaries and Wages element of computerised budgetary control (3/4 of expenditure) complete. Work continuing on remainder of system	Target date for implementation Southern Board June 1984
	Rationalise preparation of final accounts			Other Boards - June 1984 - March 1985
	Review of financial and allied systems in N&W Belfast District of Eastern Board by management consultants	9	Following initial study review commenced on 6 April 1983	Detailed report received June 1983

<u>Component</u>	<u>Action</u>	<u>Para</u>	<u>Progress to date</u>	<u>Timescale</u>
5. HPSS Audit	Review role of audit	10	Systems audit training for HS Audit Branch and Board internal auditors	Completed July 1983
			Review of audit arrangements following report of working group reviewing NHS audit in England	GB Report due for publication August 1983. Action thereon anticipated during following year. Action in NI should be broadly in step with GB
6. Review of structure and management	Complete remaining stages of review	12	New management structure partially introduced from April 1983	Complete introduction of new structure by April 1984
7. Planning system	Prepare and publish Regional Strategic Plan	13	Draft Regional Strategic Plan	To Boards May 1983. Assembly Committee - July 1983. General publication - December 1983
8. Performance indicators	Develop performance indicators	14	Development of performance indicators	Completed June 1983
9. Economy and efficiency	Prepare programme of action and issue circular	15	Performance reviews with Boards.	Initial round completed by April 1984
			Departmental policy circular	Issued July 1983
	Implement programmes		0.5% savings being sought in each of next 2 years	June 1983 - March 1985; monitoring of Boards' achievement of savings
	Studies of cost-effectiveness of community care		Finalise details of cost-effectiveness of community care (pilot projects)	Sept 1983
			Pilot studies	Oct 1983 - Dec 1984

<u>Component</u>	<u>Action</u>	<u>Para</u>	<u>Progress to date</u>	<u>Timescale</u>
<u>The Social Security Programme</u>				
10. Strategy for Social Security Operations	Issue progress report for consultation	17	Progress report to be issued for consultation	Final revisions made July 1983. Report to issue in September 1983
	Complete initial studies		Completion of various studies	December 1983
	Development of Systems		Ongoing tasks	1984/1988
	Implement strategy		Implementation of strategy	1984/1988

DEVELOPMENT OF THE FMI IN THE DEPARTMENT OF EDUCATION**Introduction**

1. The Department of Education (DENI) is responsible for the central policy, legislation and financial control of all aspects of the education and library services (ie primary (including nursery), secondary, special, further education, higher education (including teacher training), community and adult education, libraries). It is responsible for the funding of the 5 Education and Library Boards, each of which is the local education authority and library authority for its area. The functions of the Department are however wider than this limited description, embracing as they do, leisure, recreation, culture, youth and entertainment as well as education and learning. Whilst the Department carries central responsibility for these functions, executive responsibility lies almost entirely in the hands of outside Bodies such as the Area Boards, District Councils, higher education institutions, Arts Council, Sports Council, museums etc and in addition, various voluntary Bodies. For administrative convenience and efficiency the Department exercises a major executive role in respect of the payment of most teachers' salaries, and associated payments, on behalf of the employing authorities.
2. The Department administers (1983/84) a total budget of some £555m, of which £340m is applied to schools (including support services), £150m to higher and further education (including student support), and £40m to the allied services of libraries, youth, community, sport, museums and the arts. Some £25m is expended on administration, of which some £6.7m relates to the costs of running the Department itself.
3. The DENI approach to FMI recognises the need to cover both administrative costs and programme expenditure. Paragraphs 4-10 below deal with the information systems and monitoring arrangements within DENI. Paragraphs 11-15 are concerned with the major programme expenditures which, with the exception of teachers' salaries, are in the hands of outside Bodies, particularly the Education and Library Boards. It is recognised that the various partners with DENI in the provision of the education service must be involved in FMI. Each has different requirements according to its particular responsibilities in the overall management of the programme.

To this end the Department continues to inform the Chief Officers of the Area Boards of the ongoing work on FMI and the nature of the Department's Work Programme.

Management Structure

4. Overall management of the Department lies with the Permanent Secretary, assisted by 2 Under Secretaries who each have a specific area of responsibility. A professional Inspectorate headed by a Senior Chief Inspector assisted by 2 Chief Inspectors provides advice on educational aspects to the Department and the Minister. The various functional responsibilities of the Department are allocated over 10 Divisions, each headed by an Assistant Secretary, and the total staffing complement is 560. The Education and Library Boards employ some 40,000 staff including teachers.

Current Financial Management System

5. The Department's arrangements for budget determination operate within the framework of the Government's overall public expenditure and estimates systems and in essence involve a continuous annual cycle leading to the determination of the broad balance of resources between programmes and services in the late Autumn of each year. Senior management, advised by Finance Division, makes recommendations in light of policy, costings and estimates for Ministerial determination of the broad structure of expenditure for the incoming year as between the sub-programmes. Once block expenditure allocations between the various sub-programmes have been determined for the incoming financial period, individual budget allocations are notified to the numerous spending authorities by the relevant executive Divisions within the Department.

Approach to FMI

6. There are considerable strengths in the present financial management of resources, in that the systems allow:-
 - a. relevant input to the decision-making process from all interests both within and without the Department;
 - b. determination of budget allocations in accordance with assessed priorities; and
 - c. the monitoring of expenditure against budgets to a high degree of sophistication.

Notwithstanding this the review conducted in the context of the FMI has identified areas where valuable benefits are to be gained from building on existing good practice, particularly in the general area of information systems development, including where practicable, performance indicators. The DENI work programme, which concentrates in the initial stages on improved management of expenditure classified to the schools sub-programme, has the overall objective of inculcating a greater cost-consciousness in managers at all levels in the system. Besides requiring a drive to encourage managers to examine costs critically and regularly, the work programme aims to make available to management, information on costs at a time and in a form which will allow for better financial management. Accordingly the programme of work set out below places emphasis on systems to provide reliable and useful management information on a formalised basis.

Senior Management Information System

7. The work programme will bring together and formalise in a MINIS-type system information reports on staffing, Departmental running costs and expenditure monitoring. This information is presently provided through various unrelated information systems such as regular Departmental staffing returns; staffing returns from Area Boards and other outside Bodies, together with running cost information; the ongoing expenditure monitoring system and Departmental running cost information.
8. A skeleton system for DENI, which will embrace the programme expenditure for which the Departmental unit has functional responsibility, is being prepared. A small planning team led by one of the Under Secretaries working with the Heads of Finance and Personnel Divisions is guiding this work. A system is expected to be available to assist with decisions in respect of expenditure allocations for 1984/85. In essence the system will be designed as an overall major management tool, into which progressive improvements and developments in other information systems will be fed.
9. The above system will allow for continuing review of administrative expenditure. Whilst such expenditure in DENI is relatively small in relation to expenditure on the programme as a whole, a major item within it is the costs related to the payment of teachers. As part of the FMI the Department is reviewing all stages of this function in which over 110

staff are currently involved and there are in excess of 20,000 files relating to individual teachers. This review is being conducted in conjunction with a Management Services Division (MSD) team from DFP and also involves other specialist disciplines, with the aim of improving the efficiency and effectiveness of the entire system.

Computerisation of Expenditure Monitoring System

10. In 1981 the Department introduced a revised monitoring system for ongoing expenditure. The objectives of the system are that each Departmental unit responsible for a budget should have available at the commencement of the period a profile of expected expenditure on that budget; that the actual expenditure should be regularly monitored against that profile; that the profile itself be updated as the year progresses; and that systems exist for the regular aggregation of individual profiles to allow rapid assessment at Branch, Divisional or Departmental level as may be required. The system has to embrace the wide range of spending authorities and types of expenditure as well as meeting central monitoring requirements. The Department's work programme provides for computerisation of this monitoring system, and a suitable software package has been selected. The intention is to run the computer system in tandem with the manual system until March 1984 when full computerisation will be introduced. It is envisaged that some 4 months work will be required to make the system operational and that further developments will be sought after initial introduction.

Programme Expenditure - A Management Account System For Schools

11. As a long-term objective for the better management of the resources the work programme envisages a full management accounting system for schools which will relate as far as possible the inputs to the programme at all levels - school, management authority, Department - to an assessment of output/performance in a form appropriate to the management level in receipt of the information. In the short-term there is a clear requirement to make further progress in the use and availability of resource input measures and to develop the existing data into a systemised flow to the relevant management authorities. Work has commenced on the examination of possible output/performance measures.
12. The study of input measures will be in two parts and the responsibility of two distinct groups within DENI.

Teaching Costs

- a. One group will undertake an examination of all available information, statistical as well as accounting, available for improved monitoring of the costs of teachers. Preliminary studies are already under way following implementation of the 1982 revised Teachers Information System. It is estimated that some 6-9 months will be required to identify the needs of the Schools Divisions and school authorities.

Other Schools Costs

- b. A second group within DENI is undertaking a full examination of all available data sources, statistical and accounting, considered of direct relevance to the management of other recurrent expenditure in schools. In this examination the aim will be to develop relevant qualitative as well as quantitative measures of the use of resources in order to allow broad comparison of performance to be made for example between school types, between areas, and between management authorities. The work will embrace the further development of both unit cost information and key ratios relating to such costs. A period of 6 months is envisaged for an initial report by the Working Group.

Output Performance Measures

- c. As part of the Department's management accounting system for the schools programme, there will be an investigation of the feasibility of developing measures of school performance in those activities which may be susceptible to such objective analysis. The programme therefore includes a pilot study to be carried forward by a small inter-Departmental working group drawn from the professional and administrative sides of DENI and the Policy, Planning and Research Unit of DFP.

Planning and Co-Ordination Arrangements for Higher Education

13. New arrangements have been worked out, with the University Grants Committee (UGC) and the institutions concerned, to improve the planning and co-ordination of higher education in Northern Ireland. Although these new arrangements have their origin outside the FMI they serve a similar purpose in that they will enable more detailed consideration to be given to the funding and development of the Northern Ireland universities. As such they will make it possible to form a comprehensive view of the provision for higher education and the role of each individual institution within the overall provision.

14. The new arrangements will also include the development of an appropriate statistical base, building on the framework of the normal UGC statistical returns which all UK universities already make but collating these along with other relevant indicators of Northern Ireland student trends.
15. The new UGC (NI) Working Party set up to operate the new arrangements, which will provide the basis for the planning of higher education from 1984/85 onwards, held its inaugural meeting in July.

Monitoring and Resource Requirements

16. Responsibility for overseeing work on the FMI will remain with senior management of the Department as advised by the PFO and PEO who will co-ordinate specific aspects of the work programme.
17. The work will clearly involve the development of computer technology and the Department, in conjunction with the Computer Services Division of DFP, has commissioned an outside computer consultant to undertake a review of possible computer applications within the Department.

DEPARTMENT OF EDUCATION ACTION PLAN

<u>Component</u>	<u>Action</u>	<u>Target Date</u>
1. <u>Senior Management Information System</u>	(a) Completion of skeleton system on a Divisional basis	
	(b) Final decisions on presentation and format	September 1983
	(c) Introduction of full system	October 1983
2. <u>Computerisation of Expenditure Monitoring System</u>	(a) Review and evaluation of existing manual system completed	
	(b) Selection of computer software	July 1983
	(c) Implementation of software system trial runs, dual system to end of current financial year	August 1983 to March 1984
	(d) Full implementation of computerised system	April 1984
3. <u>Management Accounting Systems for Schools</u>		
(i) Teaching Costs	(a) Analysis of 1982/83 salary trends	August 1983
	(b) Examination and assessment of statistical and accounting information available	November 1983
	(c) Finalisation of revised procedures and methodology for improved estimating and monitoring of teachers' salaries	February 1984
(ii) Non-teaching Costs	(a) Identification of all information sources, the degree of compatibility of records and computerised systems	September 1983

<u>Component</u>	<u>Action</u>	<u>Target Date</u>
	(b) Consultation internally and with Area Boards re type of analysis, detail and frequency of updating. Preparation of draft paper giving complete manual analysis of available information	December 1983
	(c) Implementation of detailed monitoring system/data bank	Mid-1984
4. <u>Review of Administrative Costs of Teachers' Salary Payments</u>	(a) Completion of MSD Report on Teachers Division	August 1983
	(b) Consideration of report and agreement in principle on implementation	December 1983
	(c) Detailed investigation and identification of computer systems required	September 1984
	(d) Installation of necessary equipment and commencement of test runs	April 1985
	(e) Full implementation of revised systems	January 1986
5. <u>Measurement of Output Performance</u>	Completion of pilot study to assess potential for measurement	July 1984
6. <u>Planning and Co-Ordination of Higher Education</u>	First meeting of UGC Northern Ireland Working Party, which will operate for a three year period in the first instance, after which the arrangements will be reviewed	July 1983

QUANTITATIVE MEASURES CURRENTLY TAKEN INTO CONSIDERATION

- DANI
- i. Number of places in agricultural colleges
 - ii. Number of post-graduate awards made by DANI
 - iii. Number of farmers participating in DANI advisory programme
 - iv. Number of inseminations by AI service
 - v. Farm income, output and employment for various sectors
 - vi. Number of development plans approved and assistance offered under various Capital Grant and Farm Structures Schemes
 - vii. Number of herds participating in various schemes eg milk and pig recording, sheep improvement
 - viii. Animal health - number of reactors/in-contact animals slaughtered
 - ix. Drainage - hectares improved
 - x. Forestry - area under afforestation and output.
- DENI
- i. School population by age (nursery, primary, secondary, grammar)
 - ii. Post-school population by age (H&FE)
 - iii. Population by age (Sport and Recreation)
 - iv. Population by age/area (demographic split)
 - v. Young unemployed (YTP etc)
 - vi. Population by earnings category (school meals)
 - vii. Number of teachers
 - viii. Pupil/Teacher Ratio
 - ix. Expenditure per pupil (historical) nursery /primary/secondary
 - x. Schools support (historical) nursery/primary/secondary
 - xi. School meal charges
 - xii. YTP places
 - xiii. Number and location of sport centres
 - xiv. Education and Library Board staff numbers
 - xv. Higher education academic staff numbers
 - xvi. Staff numbers in museums, Arts Council and other fringe bodies
 - xvii. DENI staff numbers
 - xviii. School participation rates (nursery, primary, secondary)
 - xix. Admissions in higher education
 - xx. Age participation rates in higher education
 - xxi. Numbers entitled to free school meals
 - xxii. GCE qualification rates

- xxiii. Qualified school leaver rates
- xxiv. Non-qualified school leaver rates
- xxv. School support costs
- xxvi. Expenditure (pupil/nursery/primary/secondary)

DED

- i. LEDU - jobs promoted
- ii. Number of tourists visiting NI
- iii. Number of new hotel bedrooms provided
- iv. Key Workers Scheme - number of persons assisted to fill key posts
- v. Enterprise Ulster
 - Number of manual operatives employed
 - Number of indirect employees
 - Number of directly recruited staff
 - Number of indirectly recruited staff
- vi. Job Release Scheme
 - Number of persons in receipt of all allowances
- vii. Temporary Short-Time Working Compensation Scheme
 - Number of redundancies avoided
- viii. Action for Community Employment
 - Number of persons provided with temporary employment
- ix. Young Workers Scheme
 - Number of grants paid in respect of wages under £40 pw
 - Number of grants paid in respect of wages £40-£45 pw
- x. Job Splitting Scheme
 - Number of jobs split
 - Number of additional part-time jobs
- xi. GTCs
 - Number of places provided for trainees/apprentices
 - Number of apprentices placed in employment
 - Number of jobs likely to be available in the industries
- xii. Training on Employers Premises
 - Number of persons benefiting
- xiii. Apprentice Training
 - Number of persons receiving skilled training
- xiv. Management Training
 - Number of persons receiving training
- xv. Employer Based Schemes
 - Number of young persons in training places with employers

- xvi. Youth Training Programme
 - Number of young people for whom provision has been made under the programme
- xvii. Shipbuilding Redundancy Payments Scheme
 - Number of H&W employees to be made redundant/transferred to less well paid work
- xviii. Redundancy and Maternity Funds
 - Number of recipients of payments
- xix. Employment Service
 - Number of persons placed in employment

DHSS

1. Health and Personal Social Services

- i. Number of H&PSS staff by main categories
- ii. In-patient services - by main categories, showing
 - a. available beds
 - b. average occupancy
 - c. number of cases
 - d. length of stay
- iii. Out-patient attendances - by main categories
- iv. Day Care places
- v. Primary care (family practitioner services) statistics
- vi. Waiting lists
- vii. Accommodation in residential homes for
 - a. Elderly
 - b. Mentally Ill
 - c. Mentally Handicapped
 - d. Children
- viii. Detailed financial analysis by main service heads, and by facility including unit costs

2. Social Security

- i. Numbers receiving benefits (at regular specified intervals throughout the financial year)
- ii. Benefit expenditure
- iii. Cost of Administration
- iv. iii. as a percentage of ii.

DOE

1. Roads

- i. Number of vehicles using NI roads
- ii. Cost of construction per mile of road by class
- iii. Cost of maintenance per mile of road by class
- iv. Additions to road mileages by class

2. Transport

- i. Number of passengers carried by road, rail and air services
- ii. Percentage of freight transported by air and rail services

3. Housing

- i. Number of public sector dwellings started and contracts let
- ii. Number of new public sector dwellings completed
- iii. Number of public sector dwellings rehabilitated and modernised
- iv. Number of dwellings assisted with improvement grants
- v. Number of dwellings assisted with repair grants
- vi. Number of dwellings assisted with intermediate grants
- vii. Number of sales of public sector houses
- viii. Number of houses purchased under co-ownership scheme

4. Other Environmental Services

- i. Quantity of water supplied and population

5. Law, Order and Protective Services

- i. Number of calls dealt with by Fire Service

Wood Service
Long Term
P713





CABINET OFFICE

Prime Minister

(4)

To note.

MS 15/9

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Old Admiralty Building

Whitehall

London SW1A 2AZ

Telephone 01-273 4400

14 September 1983

The Rt Hon Nigel Lawson MP
 Chancellor of the Exchequer
 Treasury Chambers
 Parliament Street
 LONDON SW1P 3AG

Nigel

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Thank you for your letter of 2 September. If I read this right you are saying that you are prepared to accept the introduction of unified grading at Assistant Secretary and Senior Principal level from 1 January next year provided I can confirm that I do not regard potential opposition from the Civil Service Unions as a major problem.

I can so confirm. It has always been, and should remain, the position that grading decisions are for management to take and are not arbitrable. We consult the unions but are under no obligation to agree with them. They will be in no way surprised if we go ahead without their agreement. The position here is quite different from that on pay where we are dealing with the terms and conditions of employment of individuals and therefore need to try very hard to reach agreement with their representatives.

As to the position of the unions only three are involved in the present proposals - the FDA whose members are mainly in the senior Administration Group grades, the IPCS representing scientists, engineers and other professional staffs and the Society which is mainly concerned with middle management in the Administration Group but has a number of members at the levels - particularly Senior Principal - affected by our present proposals. The FDA are sitting on the fence. They have some worries about increased competition for senior posts but see attractions in the widening of the opportunities of the professional groups they represent. The IPCS are enthusiastic supporters of unified grading. This is not simply because their members stand to be the main beneficiaries

but because the move we are making is seen by them as part of a very desirable process of getting away from treating scientists, engineers and professionals generally in the Civil Service as second-class citizens. The Society are against unified grading. They have a genuine worry that some of the posts at present filled by their members in this area will be vulnerable to take-over by members of other unions. But as a left dominated organisation they have an inbuilt tendency to reject any proposals, however sensible, made by government; and they have a longer term fear about the viability of their unions which is losing members and influence. The fact that they oppose the present proposal is not unexpected - indeed I would be more worried if they supported it!

You will have seen from the recent letters from Ministerial colleagues that the employing Departments generally welcome the proposals as a real management benefit, and are ready to see unified pay scales being imposed if necessary to secure this. I note what you say about the Revenue anticipating only modest benefits from the change. There are no doubt special considerations affecting your Departments. The real gainers from increased flexibility in staff deployment will be Departments like MOD who employ large numbers of professionals alongside their administrators.

I am glad to see that Treasury evidence of comparative job weights supports unification at these levels and that, as the responsible Department, it intends to maintain grading standards after unification. I take your point about apparently large increases in pay for a few individuals resulting from the change, though they will, as you say, be phased. At the same time, I do not think that we need be shamefaced about changing internal pay differentials when this provides commensurate management benefits. The Treasury did, of course, make provision for the cost of this year within the overall 4.86% pay settlement.

I am sending copies of this letter to the Prime Minister and other members of the Cabinet and to Sir Robert Armstrong.

*Yours,
T. J. G.*

LORD GOWRIE

10 SEP 1963



EXNO



NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

NBPM

MMS 9/9

CONFIDENTIAL

Lord Gowrie
Minister of State
Management and Personnel Office
Old Admiralty Building
Whitehall
LONDON
SW1A 2AZ

8 September 1983

Dear Gray,

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Thank you for copying to me your letter of 8 August to Nigel Lawson.

I still have some reservations about the time scale for the introduction of unified grading. These stem from the particular difficulties we will face in the Scottish Office, which has a very wide range of professional groups. We will be faced with considerable efforts on the Personnel Management front and in dealing with future structural questions even though many of our professional staff are in the excluded category.

However, I accept the importance of this reform and the wide agreement of departments about the benefits to be gained from its early introduction. I am content that the unified grading arrangements should take effect from 1 January 1984.

Given the current pressures on salaries votes, not least in my own department, I strongly support staging the increases in order to reduce the cost this year.

I am copying this to the recipients of your letter.

Yours truly,
George

SEP 1983



Credit Service: Long Term
Randy R. B.



10 DOWNING STREET

From the Private Secretary

7 September 1983

This is just to record that the Prime Minister has seen and noted Lord Gowrie's minute of 2 September about the proposed Direct Entry Principal Competition.

Timothy Flesher

J. M. Dowling, Esq.,
Office of the Minister for the Arts.

571



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref: J/PSO/14352/83

Your ref:

25 SEP 83

6/9

Dear Grey,

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

In your letter to Nigel Lawson of 8 August you invited my endorsement of these proposals.

I am glad progress has been made. The extension of unified grading will assist management by giving them the flexibility that they need to break down the more inhibiting attitudes and practices which have grown up over the years. It should make it much easier to bring on officers with potential by a series of planned postings which are not constrained by occupational labels.

Unified grading will help in breaking down barriers and I hope it will be achieved in the time scale you have indicated.

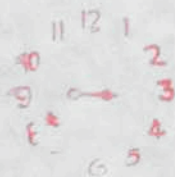
/ Copies of this letter go to the recipients of yours.

*Your ever
Patrick*

PATRICK JENKIN

Civ Service long term policy A
13.

SEP 6 1983





With the Compliments
of the
Chancellor of the Exchequer's
Private Secretary

Treasury Chambers,
Parliament Street,
S.W.1.

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

2 September 1983

cc. PS/CST
PS/MST
Mr Middleton
Mr Wilding
Mr Kemp
Mr Pearce
Mr Mountfield
Mr Gilmore
Mr N J King
Mr Carter
Miss Sinclair
Mr Gilbert (D
Mr Hawken (C&
Mr Gracey (IR

Lord Gowrie
Minister of State, Privy Council Office
Management and Personnel Office
Old Admiralty Building
Whitehall
LONDON SW1A 2AZ



John Gray

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

You wrote to me on 8 August, seeking views on the proposal that unified grading at Assistant Secretary and Senior Principal level should be implemented with effect from 1 January 1984. I have also seen the subsequent comments from other colleagues.

Coming fresh to this issue, I am struck by the fact that the costs of unified grading are easy to perceive, while the benefits are necessarily less tangible. I understand that the employing departments believe the benefits are there but the step must be to some extent an act of faith. The Inland Revenue is the only one of my own Departments to be much affected by the change. They consider that unified grading at AS/SP level should bring some modest management benefits, but no more than that.

Moreover, one effect of unified grading would be to give a number of individual civil servants a sudden and uncovenanted increase in their pay. We have now devised assimilation procedures which will help to smooth the jump in pay. Nevertheless, increases of around £1,500 for individuals, however phased, could be politically contentious. We shall obviously take the full year cost of unified pay into account in next year's pay settlement but it is almost certain that the costs of Civil Service pay in 1984-85 will be higher with unified grading than they would have been without it.

Janet Young's letter of 21 January suggested that the long term aim should be to extend unified grading down to Principal level. The cost of unified grading increases with each downward step and needs to be weighed very carefully against

/the less

CONFIDENTIAL



the less obvious benefits. I therefore think we should be wise to assess the benefits which stem from unified grading at Assistant Secretary and Senior Principal level before we proceed any further.

Arthur Cockfield has expressed concern in his letter of 16 August lest unified grading leads to grade dilution. Such job evaluation evidence as we have would support bringing the grades together at these levels. But the Treasury will in any case be producing grading guidance designed to maintain standards after unification. Taken together with the normal process of grading audit through staff inspection, this should help to avoid grade dilution.

You invite colleagues to note that we may need to impose the unified pay scales at Assistant Secretary and Senior Principal level. We may also need to impose the unified grading itself. I see that the proposal has been received less than enthusiastically by some of the major Civil Service unions. It would be helpful if you could confirm that you do not regard this as a major problem, as your letter implies. I should also be interested to hear the views of other colleagues on this point. We shall not want to go ahead with our improved offer on the unified pay scales, unless we are certain that they will form part and parcel of unified grading.

NIGEL LAWSON

*Yours
Nigel*

Civil Service
Comp Terms
pg 13





Pue Murray

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

DIRECT ENTRY PRINCIPAL COMPETITION

I am most grateful for your agreement that we may run a competition for a limited number of direct entry Principals. There are still a few details to be settled but I plan to launch the competition next week; this should enable us to complete all stages by Christmas.

I thought you would be interested to know the terms of the competition memorandum, which are designed to meet the conditions you attached. Only candidates between 35 and 50 years old will be eligible (I have changed this from an original proposal of 28-50), which makes it clear that we are seeking maturity and experience. And the memorandum will specify the types of acceptable experience in the following terms:-

Candidates must either have held senior or responsible posts in the industrial, commercial or related sectors which have given them considerable administrative, managerial or financial experience or must have acquired by other experience similar skills in resource management.

... I think this, together with the brief specifications for the posts to be filled (attached) give a clear pointer to the kind of people I am hoping to get in.

We cannot hope that the competition will pass without protest from the unions, since it is their policy to object to recruitment at levels above the normal recruitment grades. But I believe that the fact that the competition is so evidently designed to fill gaps in experience not easily provided from within the Service should do much to alleviate the anxieties of both unions and individual

staff (who, if they are suitably qualified, would of course also be able to apply). And we shall make it clear that it is aimed at a particular problem and will not necessarily be repeated in later years.

gey

LORD GOWRIE
2 September 1983

HOME CIVIL SERVICE

PRINCIPALS

DEPARTMENT OF EDUCATION AND SCIENCE - 2 vacancies

Experience of one or more of the following: financial management; industry and commerce; developments in information technology.

DEPARTMENT OF EMPLOYMENT - 2 vacancies

One post is located in London and the other in the Manpower Services Commission Head Office in Sheffield. Recent industrial and commercial experience, preferably with first hand management or financial skills.

DEPARTMENT OF ENERGY - 2 vacancies

Experience in financial management, investment appraisal and related disciplines.

DEPARTMENT OF THE ENVIRONMENT AND DEPARTMENT OF TRANSPORT - 6 vacancies

Experience in finance, accountancy, commerce, industry (including nationalised industries) or resource control within local authorities.

HOME OFFICE - 3 vacancies

High administrative or managerial ability is essential.

INLAND REVENUE - 2 vacancies

Experience in finance, accountancy or manpower planning are amongst the particular qualities sought.

DEPARTMENT OF TRADE AND INDUSTRY - 5 vacancies

Experience of business or industry, especially high technology, or with qualifications in accountancy, computing or business administration.

LORD CHANCELLOR'S DEPARTMENT - 1 vacancy

A financial or accountancy background.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD - 1 vacancy

A financial or commercial background.

MINISTRY OF DEFENCE - 1 vacancy

The post is located in London but would have a commitment to travel. A commercial sales background, and some linguistic ability, preferably in Middle Eastern languages, would be desirable.

PROPERTY SERVICES AGENCY (DEPARTMENT OF THE ENVIRONMENT) - 2 vacancies

Experience in financial management, investment appraisal and related disciplines.

TREASURY - 3 vacancies

Candidates with economics or accountancy qualifications are sought, preferably with experience in financial management, in commerce or industry.

WELSH OFFICE - 2 vacancies

Experience in the field of ADP/information technology or a finance or accountancy background.



cc Press

Chief
Service

Treasury Chambers, Parliament Street, SW1P 3AG

Tim Flesher
No. 10 Downing Street
LONDON
SW1

TF 5/9

2 September 1983

Dear Tim

The Chief Secretary was grateful for the Prime Minister's approval of the draft White Paper on Financial Management in Government departments. He was grateful also for her agreement that it should be published on 22 September. However, he has become committed to a number of other meetings on that day which cannot be avoided so, provided she is content, he would now propose to publish the White Paper and hold a Press Conference on Tuesday 27 September.

Yours sincerely

J. Gieve

JOHN GIEVE

Civil Service: long term Pt 13



5 SEP 1983

11 12 1 2
10 9 8 3
7 6 5 4



CNO
Civil Service

Treasury Chambers, Parliament Street, SW1P 3AG

Dr Rhodes Boyson MP
Minister of State for
Social Security
Department of Health and
Social Security
Alexander Fleming House
Elephant & Castle
London SE1 6BY

D

5/9.

2 September 1983

Dear Minister

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS: DRAFT WHITE PAPER

Thank you for your letter of 13 August.

Paragraph 5 deliberately avoids any undertaking to publish the products of high-level information systems. What it envisages is that the greater clarity about priorities which those systems help to create within the Government should inform the presentation to Parliament of each department's plans for expenditure. That seems to me wholly in accordance with our policy of restraining public expenditure and promoting better public and parliamentary understanding of the need to select priorities within a limited total.

I do not think that we should have a whole series of annual reports. But I believe, and the Prime Minister has agreed, that it will be worth doing it at least once more. It will help to keep up the impetus if all concerned know that a further report will enable those who are interested to compare the promises in Part 2 with what is actually achieved.

Copies of this letter go to the recipients of yours.

Yours sincerely

J. R. G. R.

J. R. PETER REES

[Approved by the (Chief Secretary)]

Civil Service
Henry Tom
Management
Rt. 13

2-STEP 1987



SUBJECT CONFIDENTIAL

ce Martin



file
Civil Service

10 DOWNING STREET

From the Private Secretary

31 August 1983

Dear Mary,

The Prime Minister saw Lord Gowrie today to discuss his submission of 8 August proposing a direct entry Principal competition to recruit about thirty Principals. The Prime Minister said that her concern over this proposal arose from a possibility that the existing staff of the Service, many of whom were of very high calibre, would regard such a competition as yet another reduction in their promotion prospects. The Government had quite rightly reduced the size of the Civil Service but at the same time had an obligation to do everything possible to ensure that talent was rewarded. Lord Gowrie recognised this difficulty but said that there were a number of posts in the Civil Service in which the kind of people recruited through direct entry Principal competitions could make a real contribution. A limited number of recruits for such posts would not damage the career prospects either of the main stream or of high-flyers. A gap existed for a small number of mature or specialised staff; the proposed competition was designed solely to fill that gap.

The Prime Minister said that she was prepared to agree to a direct entry Principal competition provided it was made clear that the purpose of the competition was to seek a particular kind of experience which was likely to have been gained in industrial or commercial managerial posts. The MPO should make every effort to explain to staff that the competition was designed to fill a particular gap. She would wish to review the experience of this year's competition before agreeing to any future competitions.

Yours ever,
Tim Flesher
TIM FLESHER

Mrs Mary Brown
Office of the Minister for the Arts.

CONFIDENTIAL

gno

CONFIDENTIAL



QUEEN ANNE'S GATE
LONDON SW1H 9AT

30 August 1983

Dear Grey,

DB
7/8

EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Your letter of 8 August to the Chancellor of the Exchequer asked for endorsement of the proposal that the new unified grading arrangements should take effect from 1 January 1984.

It is clearly important that the impetus of this initiative should be maintained, and, in the light of your letter, and the annex to it, I agree that the unified structure should be formally introduced on 1 January 1984.

Copies of this letter go to the Prime Minister and other members of the Cabinet, and to Sir Robert Armstrong.

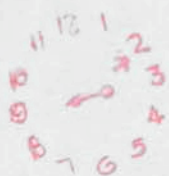
Law,
com

The Earl of Gowrie

CONFIDENTIAL

Civil Service,
Long Term,
Pt 13

30 APR 1983



PRIME MINISTER

Direct Entry Principal Competition

Lord Gowrie is coming to see you at 9.45 tomorrow to talk about his proposal of a direct entry Principal competition. His submission is attached at Flag A. One from Sir Robert Armstrong supporting his proposal is attached at Flag B. When you looked at these papers earlier you had some doubts about what was proposed. In particular, you might want Lord Gowrie to expand on the assumptions which underlie his proposals, which are:

- i) that there is a shortage of good Principals; ?
- ii) that direct entry Principals are content to remain at that level for the rest of their careers (and if this is so, why we should wish to recruit unambitious people);
- iii) that resentment amongst mainstream executive grades at a direct entry competition will be assuaged by allowing them to take part in it. ?

You have turned ^{down} ~~out~~ previous requests for such competitions largely on morale grounds. Lord Gowrie will be seeking to argue that the need for such a competition now outweighs any possible damage to morale amongst those whose career prospects might be affected by it. In doing so, he will no doubt pray in aid Sir Robert Armstrong's minute.

TIM FLESHER

30 August, 1983



Joe AA

10 DOWNING STREET

From the Private Secretary

26 August 1983

The Prime Minister has seen your Secretary of State's minute of 5 August about the publication of a Financial Management Initiative report on the Northern Ireland Departments in parallel with the White Paper on the FMI in Great Britain. She has also seen the Chief Secretary's minute of 22 August commenting on this proposal. Mrs. Thatcher has agreed that the Northern Ireland Report can now be published as proposed by Mr. Prior, subject to the points made by the Chief Secretary.

I am sending copies of this to John Gieve (Chief Secretary's Office) and Mary Brown (Office of the Minister for the Arts).

Timothy Flesher

John Lyon, Esq.,
Northern Ireland Office.



NO

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 20/17/6

24th August 1983

John G. [unclear]

A
25/8

Thank you for the copy of your letter dated 8th August to the Chancellor of the Exchequer giving a progress report on this subject. As I said in my letter of 11th February 1983 to Janet Young, I welcome this reform and I am pleased at the progress made. The consolidation of 100 grades into 3 is a useful step in abolishing artificial barriers and improving management flexibility. The introduction of pay alignment will be a welcome simplification of administration.

I am also pleased that the progress report recognises that it is for the Departments to manage their staff and I endorse the sentiment that unified grading should not lead to an enlargement of the area of central prescription or involvement in the direct management of staff. It is our intention in MOD to continue with much the same personnel management arrangements as before, modified suitably to take advantage of the benefits of unified grading. This is not to say that we are complacent but we recognise here that many officials will continue to follow much the same career patterns that they would have done had unified grading not been introduced. This is a reflection of the complexity of so much of MOD's work which does


Lord Gowrie



not allow easy interchange between specialisms. What we are concerned to do is to ensure that the machinery for career development encompasses those with the highest potential regardless of original occupational grouping and that there is equality of opportunity and consistency of selection and development of such individuals.

Finally, in my letter of 11th February I stated that we would want to see the principle of unified grading extended below Senior Principal level in the light of experience. I am told that the extension to Principal level is being considered. I am sure that this work should continue. Extension below Senior Principal is however more complex and I hope enough time will be allowed to enable a carefully considered recommendation to be made.

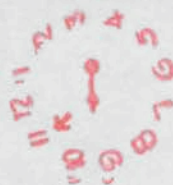
Copies of this letter go to the recipients of yours.

Yes

Michael Heseltine

Civil Service

Longterm Roll Pt 13

22 AUG 1988



✓ NO



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel: 01-233 3000 (Switsfwrdd)
01-233 7172(Llinell Union)

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel: 01-233 3000 (Switchboard)
01-233 7172 (Direct Line)

Wm
25/8

From The Minister of State

Oddi wrth y Gweinidog Gwladol
CONFIDENTIAL

CT/1/83

24 August 1983

Dear Gray.

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Thank you for copying your letter of 8 August about the extension of unified grading in the Civil Service to Nicholas Edwards. I am replying in his absence.

We fully support your proposal to introduce the new arrangements from 1 January 1984, if necessary by the imposition of unified pay scales.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet and Sir Robert Armstrong.

Yours ever,
John.

JOHN STRADLING THOMAS

The Lord Gowrie
Minister of State
Management & Personnel Office
Whitehall
LONDON

Civil Service Long Term Policy PFB.

25 AUG 1983



Mr Butler 8/11

MANAGEMENT IN CONFIDENCE

As you will see
for this, YTS at
No 10 is still negotiating
its way through the
maze of trade union
approval
A 24/8

Mr Tim Flesher
Private Secretary to the Prime Minister

YTS - MPO WHITEHALL SCHEME

1. I am "Project Officer" on the implementation of the YTS MPO Whitehall Scheme but shall continue to work with Dennis Burkhard as Managing Agent.
2. To bring you as far up to date as possible I am enclosing copies of:
 - i. MPO Training Division's letter of 17 August 1983 about delays in Trade Union clearance of the YTS in the Civil Service and action preparatory to a hopefully favourable outcome.
 - ii. a copy of MSC's distillation of the Scheme Programme.
 - and iii. a copy of MSC's Programme Development Officer's letter of 9 August 1983 informing us that their Area Board had agreed the Programme subject to Trade Union clearance "at the relevant level".
3. CCSU will meet on 30 August 1983 to discuss the issue of the YTS in the Civil Service and subject to what emerges we could launch the project in three to four weeks from then, hoping that the delay will not disadvantage us seriously on recruitment.

G. Burns

G F Burns
PS Division
Room 1/96 (OAB)
Ext 3106 (273)

21 August 1983

ENCS

Mr. Flesher

Thanks. We don't want

the No. 10 post to become a focus of controversy with the National or Departmental writers. No doubt MPO are sensitive to this, but you might keep close to Mr. Burns about it. We should aim that MPO do not put it to the departmental staff side until the CCSU have cleared the overall scheme, and then in as low key as possible together with other YTS posts in the MPO.

FRB
30.8.



Management and Personnel Office
Whitehall London SW1A 2AZ

Telephone (Direct dialling) 01-273 4506
GTN 273 (Switchboard) 01-273 3000

Your reference

Our reference

Date

17 August 1983

Dear Departmental Training Officer

YOUTH TRAINING SCHEMES IN THE CIVIL SERVICE

I have previously written to you indicating that discussions with the Council of Civil Service Unions about the Youth Training Scheme in the Civil Service were continuing and that I would inform you when the discussions were completed. I am afraid that the discussions are still continuing, but I hope to be able to let you know the outcome at the beginning of September.

Given the tightness of the timetable for the implementation of YTS programmes and the need to take matters as far forward as possible whilst our discussions at national level with the unions are continuing, we think that it would now be desirable for departments who are to be Managing Agents for YTS programmes in the Civil Service to take some further steps as soon as they are ready to do so.

Departments are therefore free to offer to talk to their departmental unions about their plans for YTS programmes making it clear that these are conditional upon gaining union support at national level. Additionally it would be sensible for departments which are to be Managing Agents to submit applications for YTS programmes, which also would be conditional on gaining union support, to Area Manpower Boards of the Manpower Services Commission for approval.

I will let you know as soon as I can about the outcome of the discussions with the Council of Civil Service Unions.

Yours sincerely

E D Doig

E D Doig

Circulation: All Departmental Training Officers and other staff
concerned with YTS
Research Establishments
Museums and Galleries
Mr N E A Moore
Mr Coster
Mr Doig
MPO Training Liaison Officers
Mr Walne
Mrs Bayliss (MSC)

**MANPOWER SERVICES COMMISSION
TRAINING DIVISION
YOUTH TRAINING SCHEME**

Scheme Ref No.

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

SUMMARY OF THE TRAINING PROGRAMME

Name of Managing Agent/Sponsor & Address:
 Management and Personnel Office
 Old Admiralty Building
 Whitehall
 London SW1A 2A2 ~~273 3000~~
 Dennis DURKHALD 273 4046

Main Operating Address (if different)

I. L. E. A.
 - 1 AUG 1983
 CARE!

TYPE OF BUSINESS/ORGANISATION: Government Department

SCHEME TITLE: IPO - Whitehall Scheme

OCCUPATIONAL AREAS COVERED: Clerical

PLACES: 15 trainees LENGTH OF PROGRAMME: 50 WEEKS

START DATE(S): 12 September 1983 INTAKE: BLOCK/STAGGERED/CONTINUOUS

RECRUITMENT FACTORS: Willingness and potential to participate in a wide range of clerical activities. Desirable but not essential for some applicants to have a basic knowledge of keyboard skills.

TRADE UNION(S) AND/OR EMPLOYERS ASSOCIATION(S) CONSULTED:

Negotiations taking place with the Council of Civil Service Unions

HEALTH AND SAFETY ARRANGEMENTS:

All Government Departments participating in the scheme have agreed to comply with the terms and conditions of the HASAWA 1974.

DESIGN ELEMENTS	SUMMARY
INDUCTION	
OFF-THE-JOB TRAINING	
OCCUPATIONALLY BASED TRAINING	
PLANNED WORK EXPERIENCE	
CORE SKILLS	
ASSESSMENT	
GUIDANCE AND SUPPORT	
REVIEW RECORDING AND CERTIFICATION	

LEARNING OPPORTUNITIES	SUMMARY
BASIC SKILLS AND ADDITIONAL SKILLS	These are fully integrated in the programme. Through off the job training and office placements, trainees will acquire skills in number, communication, manual dexterity and problem solving/planning. They will gain 'hands on' experience of information technology and an understanding of its applications.
WORLD OF WORK	During work experience trainees will be subject to the normal disciplines of time-keeping, acceptable dress and behaviour. An understanding of the role of Government Departments will be developed through the BEC module in Government. Work placements in the Department of Trade and Industry will increase awareness of the relationship between Central Government and industry/commerce.
WORLD OUTSIDE EMPLOYMENT	Trainees will undertake a research project on the employment, leisure and education facilities provided in the local community, organised by City and East London college.
JOB SPECIFIC AND BROADLY RELATED SKILLS.	Each trainee will have the opportunity to develop a range of skills in the clerical field, including keyboard, computing, office machinery and basic office procedures.
PERSONAL EFFECTIVENESS	During work placements trainees will be allowed to work on their own initiative and as part of a team. The experience of working in a number of sections will develop confidence, flexibility and inter-personal skills through contact with a variety of people. The design and implementation of the local community study will provide an opportunity for developing organisational/planning skills. Departmental training will include the use of problem solving exercises which will develop self confidence through group work.
SKILL TRANSFER	The range of skills covered in the programme will equip trainees to seek employment in a wide variety of office situations. Communications/inter personal and numerical skills have a wide application to other occupational areas. Trainees will experience the application of the skills learnt in different contexts through their movement between sections/departments during the work experience.

DESIGN ELEMENTS	SUMMARY
INDUCTION	<p>A one week induction at City and East London College will include an introduction to YTS and the training programme including on and off the job training, health and safety and use of logbook. An initial assessment of trainees' abilities and interests will be made. There will be Departmental induction at the beginning of work experience at each stage within the scheme.</p>
OFF-THE-JOB TRAINING	<p>Provides for a minimum of 13 weeks at, or organised by, City and East London College. This includes 1 week induction, 33 days BEC General course on a day release basis, 10 days block release Keyboarding and Information Technology and 6 days block Local Community Study project. This will be supplemented by a 1 week residential course at the Civil Service College, Sunningdale and at least 6 days departmental training in clerical skills and information technology. A 3 week typing course at the Dept of Trade Training Centre will be provided for those trainees with some basic typing skills.</p>
OCCUPATIONALLY BASED TRAINING	<p>On and off the job elements are closely integrated. Trainees will acquire a wide range of clerical skills including, filing, mailing, keyboarding, reprographics and knowledge of office procedure.</p>
PLANNED WORK EXPERIENCE	<p>Each trainee's first placement will be decided on the basis of the initial assessment. In the Department of Trade and Industry trainees will develop their skills in 2/3 sections in which a full range of clerical activities are carried out. In the Management and Personnel Office/Cabinet Office trainees will gain experience in a number of common services/support sections. Movement between Departments will be possible. The placement in Downing Street will include a variety of clerical duties in the Press Office, Correspondence and Appointment Sections. The trainee will have the opportunity to gain wider experience in other parts of MPO.</p>
CORE SKILLS	<p>Numeracy and Communication will be developed through BEC modules, stock control, numerical filing, minute writing, use of telephone. Manual dexterity will be developed through use of office machinery and problem solving through planning of work and off job training projects. Computer literacy will be covered by College and Departmental training.</p>
ASSESSMENT	<p>Following initial assessment, each trainee will be assessed monthly to evaluate progress. This will be carried out by the section supervisor and will fully involve the trainees in assessing their own progress. In addition college tutors will conduct assessment during the off-the-job training elements.</p>
GUIDANCE AND SUPPORT	<p>The immediate source of guidance and support will be the trainee's line manager. A named representative in each Department and the MPO co-ordinator will also be available whenever necessary. Staff at these 3 levels will be involved in the review of progress on a personal and regular basis. Careers and MSC staff will maintain regular contact with the scheme throughout the year.</p>
REVIEW RECORDING AND CERTIFICATION	<p>Review of progress will be carried out monthly, the outcome of which will be recorded in the trainee logbook. Departmental representatives will hold monthly review meetings to assess progress and identify the further needs of the trainees across the whole scheme. Each trainee will receive a YTS certificate and a BEC General Certificate where a suitable standard has been reached.</p>

► **RECOMMENDATION TO AREA MANPOWER BOARD:**

This scheme provides for all the core skills and learning opportunities to be provided within the framework of the design elements. Fifteen places are being provided between Management and Personnel Office, Department of Trade and Cabinet Office.

Consultation with the Council of Civil Service Unions about YTS in the Civil Service is currently well advanced. If early agreement is reached approval of individual schemes will be sought from the relevant unions at the appropriate level. The Board is asked exceptionally to approve this proposal subject to agreement being reached with the unions so that the preliminary work of agreeing recruitment arrangements with Careers Service may continue and the various inter-departmental inputs may be negotiated and planned.

There will be no topping up of allowances.

Signature *[Handwritten Signature]* Area Manager

Date *27 July 1983*

AREA MANPOWER BOARD COMMENTS/DECISION:

Signature AMB Secretary

Date

POSITION ON OUTSTANDING ISSUE(S):

Signature Area Manager

Date

Your ref:

Our ref: RS/NH

Date: 9th August 1983



Training Division

London North Area Office
19-29 Woburn Place

London
WC1 0LU

Tel 01 632 5318

GTN 2924 +

Mr D Burkhard
Personnel Manager
Management and Personnel Office
Old Admiralty Building
Whitehall
London SW1

Dear Dennis,

+/ I am writing, as promised, to confirm that the London North Area Manpower Board gave approval at their meeting on 4th August to the MPO scheme "subject to agreement by the recognised and appropriate unions at the relevant level". Sue Bryan will contact you if and when we are able to proceed any further with the scheme.

In the meantime I enclose a copy of the new MSC trainee log book which is available to you free of charge should you wish to provide them for trainees on the MPO scheme.

Finally, please note my telephone number has changed to 632 5318, should you wish to contact me. Sue Bryan's number remains unchanged.

Yours sincerely,

A handwritten signature in cursive script that reads 'Roy Saxby'.

Roy Saxby
Programme Development Officer

cc. Mary Davis, Dept. of Trade.

+/ Copy of info scheme, as agreed,
attached (given to me by Peter Parke
of Careers Office in Chorus + Rd.)
DJS: 17/8/83

cc/No.

FROM: CHIEF SECRETARY

DATE: 22 AUGUST 1983



PRIME MINISTER

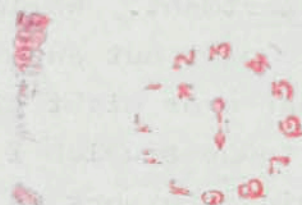
FINANCIAL MANAGEMENT INITIATIVE - NORTHERN IRELAND DEPARTMENTS

Jim Prior sent me and Grey Gowrie copies of his minute to you of 5 August. This reply is on behalf of us both.

2. We greatly welcome the action he is taking to apply the FMI in Northern Ireland, and feel sure that it is sensible to give the Assembly and the public in Northern Ireland a report on what is being done.
3. One point occurs to me on presentation, since the report is to be issued at the same time as the White Paper, and will be compared with it. In discussing factors special to Northern Ireland, Chapter 2 says that it is important not to attempt too much too quickly and that it is not possible to make simultaneous progress on all aspects in each individual department. While we all agree that changes must be carefully thought out and deliberately introduced, I think that these passages might give the general reader an impression of half-heartedness which I am sure would not do justice to the way in which the work is actually being tackled.
4. Looking to the next stage, I hope that the Northern Ireland Office will continue to keep the Treasury in touch with developments. We shall be glad to give any help we can in reading across from departmental experience in Great Britain. If officials would like to get in touch with the Financial Management Unit, which reports to the Treasury and MPO jointly, it will be ready to help.
5. Copies of this minute go to Jim Prior and Grey Gowrie

PETER REES

Civil Service: England Pt 13



COMMUNIST PARTY
LONDON

FC 20



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

Lord Gowrie
Minister of State, Privy Council Office
(Minister for the Arts)
Management and Personnel Office
Old Admiralty Building
Whitehall
London SW1 2AZ

WV
19/8

19 August 1983

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Thank you for sending me a copy of your letter of 8 August to Nigel Lawson about the extension of unified grading in the Civil Service.

My people have been very much involved in the preparation of this package since MAFF is one of the Departments where the benefits of moving towards unified pay and grading are likely to be most marked. I therefore support the proposal that new unified grading arrangements should take effect from 1 January 1984; and, insofar as pay unification is a necessary prior step, I accept that it may well be necessary to impose the new unified scales.

I am sending copies of this letter to the Prime Minister, other members of the Cabinet, and to Sir Robert Armstrong.

MICHAEL JOPLING

Civil Service
Long Term
PTB

119 AUG 1983



CONFIDENTIAL



Chancellor of the Duchy of Lancaster

2PP
CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

16 August 1983

Dear Mary,

EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

The Chancellor of the Duchy has seen Lord Gowrie's letter of 8 August to the Chancellor of the Exchequer. Lord Cockfield has commented that there is always a danger in schemes of this kind of something analogous to grade drift - ie a tendency for posts to be graded up rather than down. It is important to know whether MPO feel that a proper balance has been struck, and that the £1m quoted in paragraph 9 of the Officials' report as the cost of pay alignment also reflects this element. Lord Cockfield has also commented that it would be interesting to know whether there are any instances of exceptional pay increases emerging in individual cases. with TF

I am sending copies of this letter to the Private Secretaries to the Prime Minister and other members of the Cabinet and to Richard Hatfield.

yours ever,

Alex Galloway

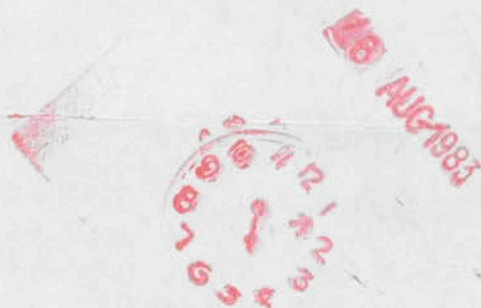
A K GALLOWAY
Private Secretary

Mrs Mary Brown
PS to the Minister of State
Management and Personnel Office
Old Admiralty Building
Whitehall
London SW1

CONFIDENTIAL

CIVIL SERVICE - L-T Management

P 13





*With the Compliments of
the Minister for Social Security*

Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London, S.E.1 6BY.
Tel. No. 01-407 5522 Ext.



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

G.T.N. 2915

From the Minister of State for Social Security

The Rt Hon Peter Rees QC MP
 Chief Secretary
 HM Treasury
 Parliament Street
 LONDON
 SW1P 3AG

13, August 1983

Dear Peter,

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS: DRAFT WHITE PAPER

Thank you for the copy to Norman Fowler of the draft of part 1 of this White Paper. I am content with publication on 22 September as you suggest, but there are two points in the text where I think change may be needed.

The first concerns publication of the products of the various high-level information systems. Paragraph 54 makes plain that it is for each departmental Minister to decide what information will be disclosed. However, paragraph 5 seems to pre-judge that decision by promising Parliament information about priorities. I suggest you should delete from paragraphs the phrase "and Parliament is assessing the resulting decisions".

The second concerns publications about the FMI as a whole. I think it is a mistake to commit ourselves to publishing a further report in July 1984, as is done in paragraph 40. The FMI is a long-term project, whose success hinges on changing attitudes. That cannot be done to a precise timetable, nor will it lead to a series of neat achievements to be recorded in an annual report. Hence I suggest deleting the second sentence in paragraph 40.

I am copying this letter to recipients of yours.

*All good wishes
 Y
 ear
 RLB*

DR RHODES BOYSON

Civil Service
Long Term
Pt 13

15 AUG 1983



Civil Service

Dr
2/7

MR STUBBS

cc Mr Wilding (HMT)
Mr Russell
Mr Beesley ✓
Mr Hall (HMT)

FMI WHITE PAPER - PUBLICITY

Thank you for your minute of 10 August about the handling of publicity for the FMI White Paper when it surfaces on 22 September. I have also seen Martin Hall's minute of 11 August on this subject.

I am quite sure that we should give Lord Gowrie an opportunity to get in on the action if he wishes to take it. I could also see advantage in you and Martin having a brief word with Bernard Ingham to make sure that we have No 10 on board.

Can I leave it to you to take this forward from the MPO end, please?



P Le Cheminant

12 August 1983

Mr Fletcher (10 Downing Str)

You may care to see this. Sir Robin
Ibbs will be ministering the Prime
Minister shortly about the next
steps on the FMI. If you agree,
the Efficiency Unit could represent
the Prime Minister's interest when
the White Paper is published.

B 16/viii

166 AUG 1953





see CO

HL

e

10 DOWNING STREET

From the Private Secretary

11 August 1983

The Prime Minister has now seen Lord Gowrie's minute of 8 August proposing that a Direct Entry Principal Competition should be held. Mrs. Thatcher retains her doubts about such a competition and would like to discuss them with Lord Gowrie. I shall be in touch to arrange a time.

Tim Flesher

Mrs. Mary Brown,
Office of the Minister for the Arts.

HL

11 August 1983

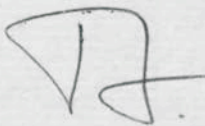
The Prime Minister has seen the Chief Secretary's minute of 2 August covering a draft White Paper on Financial Management in Government Departments. Mrs. Thatcher has agreed that the Chief Secretary may now proceed to publication of the White Paper on the timetable proposed. She has also agreed that she will present the White Paper to Parliament.

Tim Flesher

John Gieve, Esq.,
Chief Secretary's Office.

PRIME MINISTER

Attached is a draft of the White Paper on Financial Management in Government Departments. You will want to have a look at this a bit more closely on your return but, since you have already approved the White Paper in principle, you may agree that the Chief Secretary can proceed to make arrangements for publication in late September. If you have made your reservations, later on the process can be stopped. I gather, however, that the Efficiency Unit is happy with what is proposed. Agree?



TIM FLESHER

10 August, 1983



CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Old Admiralty Building

Whitehall

London SW1A 2AZ

Telephone 01-273 4400

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1P 3AG

8 August 1983

DF
9/8

Dear Nigel,

THE EXTENSION OF UNIFIED GRADING IN THE CIVIL SERVICE

Janet Young wrote to Geoffrey Howe and other members of the Cabinet on 21 January proposing an early initiative to extend unified grading below the Open Structure down to and including the Senior Principal and equivalent grading levels.

Ministers were agreed that this was an important reform offering a major contribution to efficiency in the Service, and that we should press ahead with it. Geoffrey Howe accordingly made provision for aligning the pay of the staffs concerned in this year's pay offer. The initiative is included in the list of priority areas for personnel work which I announced on 14 July.

The inter-departmental Steering Group of officials set up for the purpose has been pressing on with the task, and I am glad to say that it has made good progress as the attached report shows. The key features are:-

- a) the new unified structure will reduce approximately 100 existing grades to 3 comprising some 6000 staff. Two of these grades would correspond to the present Assistant Secretary and Senior Principal levels and the third would encompass the small group of grades which lie between Under Secretary and Assistant Secretary;
- b) posts at this new third level would, as now, be subject to Treasury control. Work establishing job weight standards and criteria for each of the unified grades is in hand and will be available by the end of the year;

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c) the Steering Group have devised a framework within which departments can manage, post, and promote their staff. This is at Annex C to the attached note. It will need to be shown to the Civil Service unions, since in a matter which directly affects the way staff are managed, it is obviously sensible to try to carry their representatives with us so far as possible.

A good deal of detailed work remains to be done to carry through this major structural change, but officials in the Steering Group now consider that matters are sufficiently advanced to enable the new structure to take effect from 1 January 1984.

An important factor in all this is the need to settle the basis on which pay will be aligned in the unified grades (we cannot have unified grading without unified pay). This is discussed in paragraphs 7-10 of the note by officials below. Essentially the Treasury are already in negotiation with the unions in an attempt to agree new unified pay scales (a process begun in the main 1983 pay negotiations when a sum of money was set aside for this purpose). The negotiations have not gone well because of inter-union differences of opinion and interest and it may be necessary at the end of the day to impose new scales - a procedure which we are perfectly free to adopt for these grades. The Treasury also envisage some staging of increases to the new scales partly to reduce the cost and partly to reduce the size of the immediate increases to some of those affected. The cost this year will, so I understand, be contained within the notional sum set aside for this purpose in the 1983 pay settlement. the full year cost will be taken into account in next year's pay negotiations.

I am writing now to ask you and other colleagues to endorse the proposal that the new unified grading arrangements should take effect from 1 January 1984; and to ask you to note that the unified pay scales needed to make this major reform possible may need to be imposed on staff.

I am sending copies of this letter to the Prime Minister and other members of the Cabinet, and to Sir Robert Armstrong.

Yours,
G. G. G.

LORD GOWRIE

UNIFIED GRADING DOWN TO SENIOR PRINCIPAL LEVEL: PROGRESS REPORT
Note by Officials

Introduction

1. The initiative to extend unified grading down to Senior Principal level was launched in the Lord Privy Seal's letter of 21 January 1983 to the Chancellor of the Exchequer. Ministers strongly endorsed the case for the extension of unified grading as an important step towards improving the management and efficiency of the Service. It would remove artificial barriers which have hitherto restricted the development and selection of staff for jobs on the basis of merit alone. A Steering Group of Principal Establishment Officers from the major employing departments has directed work on extending the unified structure, and this note summarises the progress made.

Coverage

2. Annex A sets out the grades currently intended for inclusion in the unified structure at the Assistant Secretary and Senior Principal levels. They cover some 5700 staff. Exclusions are set out in Annex B. As that indicates, some of those might be later candidates for inclusion, eg, when certain structural problems have been resolved. Annex A has been sent to the CCSU which has not commented. Annex B has been prepared for management information.

3. The Steering Group has agreed that unification of grades between the Assistant Secretary and Under Secretary levels (known as Area K) should be on the basis of a single unified grade. The grades to be assimilated to this unified Area K grade are currently being identified.

4. The overall effect will be to reduce about 100 existing grades to 3 encompassing some 6000 staff.

Grading Guidance

5. The Treasury are beginning the preparation of grading criteria and guidance for the new unified grades. Departments will be consulted on the posts to be evaluated and job descriptions prepared by the Treasury. The aim is to have the grading guidance available by the end of this year. In respect of the Area K grade the guidance would limit its use to cases where there is a clear need for a management level in this area above Assistant Secretary level. The Treasury would retain control over the creation of posts in Area K.

Consultation with the CCSU

6. The unified grading proposals at Assistant Secretary and Senior Principal levels were put to the CCSU and discussed at a meeting on 28 April. The agreed record of that meeting has been circulated to Establishment Officers. A subsequent letter from

the CCSU has revealed divided views. Of the three unions directly concerned, the IPCS has declared itself in favour of unified grading; the SCPS is opposed; and the FDA are agnostic. Further discussions with the CCSU will be arranged shortly (see paragraph 12 below).

Pay Alignment

7. For grades to be unified pay alignment is required. This has a cost, since it is not possible to worsen the pay prospects for existing staff in the grades concerned, and difficult to worsen the prospects of future entrants.

8. Following rejection by the unions of the initial proposals for pay alignment which were put to them, further ideas have been worked out which seem likely to be acceptable to the staff (even though it is probable in the last resort that the Government will need to impose them by administrative action). The essence of the scales now proposed is that they would avoid worsening the pay position of existing staff who do not stand to gain from pay alignment; but the assimilation terms would defer the full application of the improved scales to those who gain.

9. The cost in 1983-84 of pay alignment on this basis, taking effect from 1 January 1984, is £77,000 which is within the notional sum set aside for pay alignment as part of the 1983 non-industrial pay settlement last April. The cost in 1984-85 would be around £½ million. The eventual full year cost might be something over £1 million. This cost would be taken into account in considering the level of next year's pay settlement.

10. The Steering Group judge that this expenditure is necessary in order to get unified grading off to a smooth start and is justified in terms of the benefits to be gained.

Management of the Unified Structure

11. The personnel management of the staff in the proposed unified grades is primarily a matter for the departments in which they are employed. Unified grading does not require, nor should it lead to an enlargement of the area of central prescription or involvement in the direct management of staff. But the Steering Group agreed that a broad framework of principles should be drawn up, within which departments could develop procedures suited to their own circumstances in consultation with their own union sides. The principles should not be such as to entail the fundamental change of existing procedures which work satisfactorily, but should enable them to be adapted to reflect the objectives of unified grading.

12. A framework is attached at Annex C, which the Steering Group has agreed as a basis for consultation with (but not the veto of) the CCSU. Subject to any changes which it might be agreed to make in the light of CCSU comments, it would then provide the basis for departments to pursue detailed

adjustments to their own procedures with their union sides.

Centrally Managed and other Specialist Groups

13. Initial discussions have been held with most of the Management Committees concerned. Those for the Statistician and Legal Groups have expressed some reservations, but the proposals have been otherwise generally welcomed. Unified grading will not alter the need for the Management Units' central advisory role in the promotion and deployment of certain specialist groups, but the final decision will, as now, rest with the department concerned. The MPO will be considering with the Management Units, any necessary modifications in the operation of the central management arrangements to reflect the circumstances of unified grading.

Time-table

14. Taking account of the position on pay alignment and the time-table for production of grading guidance, the Steering Group propose that the unified structure should be introduced on 1 January 1984. It would be for departments to carry through changes needed to departmental personnel management procedures from that date.

Management and Personnel Office
Whitehall
LONDON SW1A 2AZ

GRADES PROPOSED FOR INCLUSION IN A UNIFIED STRUCTURE

A.		Assistant Secretary Level	
		General Service Grades	
		Grades	Occupants
		Assistant Secretary	1103
		Senior Economic Adviser	65
		Chief Statistician	70
		Chief Information Officer (A)	21
		Deputy Chief Scientific Officer	198
		Assistant Solicitor	180
		Chief Research Officer	4
		P&T Directing B	147
			<u>1788</u>
		Departmental Grades	
MAFF		ADAS Regional Officer	4
MAFF		Regional Agricultural Officer/Senior Advisory Officer/Controller of Experiments	13
MOD		Deputy Director, Defence Intelligence	4
MOD		Chief Civil Hydro Officer	1
MOD		Professors RMCS/RNC	9
MOD		Director of Marine services	1
DES/WO		Staff and Divisional Inspectors of Schools	61
DEn		Chief Engineering Inspector (Elec)	1
DEn		Controller, Gas Standards	1
DOE		Assistant Chief Planner	12
DOE/Tp		Assistant Chief Planning Inspector	8
DHSS		Deputy Chief Pharmaceutical Officer	2
HO/SO		Assistant Controller, Prisons	8
HO		Chief Probation Inspector	1
IR		Principal Inspector of Taxes	143
IR		Superintending Valuer/Assistant Chief Valuer (Scotland)	34
IR		Deputy Controller, CTO	3
IR		Registrar CTO, Scotland	1
ODA		Principal Adviser	4
DTP		Deputy Surveyor General	3
DTP		Assistant Chief Engineer	13
Treasury		Deputy Treasury Valuer	1
SO		Deputy Chief Social Work Adviser	1
SO		Deputy Chief Inquiry Reporter	2
SO		Chief Inspector of Schools	10
SO		Chief Industrial Pollution Inspector	1
SO		Keeper, Scottish Record Office	1
WO		Chief Social Work Service Officer	2
Scots. Courts Admin.		Chief Court Administrator	1
Crown Office		Assistant Solicitor/Procurator Fiscal	26
			<u>372</u>
B.		SENIOR PRINCIPAL LEVEL	
		General Service grades	
		Grades	Occupants
		Senior Principal	658
		P&T Superintending Grade	646
		Chief Information Officer B	35
		Senior Principal Librarian	2
		Senior Principal Research Officer	6
		Senior Principal Scientific Officer	708
			<u>2055</u>
		Departmental Grades	
MAFF		Chief Fatstock Officer	1
MAFF		Supt. Horticultural Market Inspector	1
MAFF		Chief Plant Health and Seeds Inspector	1
MAFF		Chief Inspector Sea Fisheries	1
MAFF		Divisional Officer ADAS	6

B. (Contd.)

Departmental Grades		Occupants
	Grades	
MOD	Prof. Survey Officer: Deputy Director	1
MOD	Assistant Chief Hydro Officer	3
MOD	Assistant Professor RMCS/RNC	12
DES/WO	Inspector of Schools	372
DEn	Deputy Chief Engineering Inspector (Elec)	1
DOE	Baliff, Royal Parks	1
DOE	Superintending Planner	13
FCO	Deputy Director, Wiston House	1
DHSS	Envrionmental Health Officer	2
DHSS	Chief Officer, Ambulance	1
DHSS	Chief Officer, Catering	1
DHSS	Superintendent Pharmaceutical Officer	5
DHSS	Chief Domestic Services Management Officer	1
HMSO	Senior Principal (Technical)	2
HO	Chaplain General, Prisons	1
HO	Chief Farms Gardens Manager	1
HO	Deputy Chief Immigration Inspector	2
HO	Co-ordinator of CD Volunteers	1
HO	Assistant Chief Probation Inspector	4
IR	Inspector of Taxes (SP)	710
IR	First Class Valuer	258
IR	Controller of Stamps	1
IR	Assistant Controller CTO	11
IR	Deputy Registrar CTO (Scotland)	1
ODA	Senior Adviser	32
DTP	Chief Surveyor	21
DTP	Chief Coastguard	1
DTP	Inspecting Officer, Railways	4
Treasury	Assistant Chief Valuer	1
SO	Deputy Chief Industrial Pollution Inspector	1
SO	Chief Inspector Sea Fisheries	1
Scots Courts Admin	SP Administrator	1
		1478

TOTAL PROPOSED FOR INCLUSION IN UNIFIED GRADING = 5693

PRES EXCLUSIONS FROM UNIFIED GRADES AT AS AND SP LEVELS

A. GP WHOSE TREATMENT REMAINS UNDER CONSIDERATION

General Service Grades

Grades	Occupants
Museums - Curatorial A	24) Some departments would welcome the inclusion of these
Museums B (Conservation and Curatorial)	24) grades
SP Psychologist	10 This grade was excluded from pay alignment but the Psychologists Management Committee would welcome inclusion in the longer term
Senior Legal Assistant	541 There are structural difficulties, which are being investigated. Departments, eg DOE and DHSS, have welcomed incorporation
Principal Actuary	6) Covered by pay alignment, but also by a separate pay claim.
Actuary	11) Unified grading can be considered once pay is decided
	<u>616</u>

Departmental Grades

MOD Assistant Director of Defence Intelligence	4 Excluded from pay alignment, but to be included in unified grading as soon as possible, with pay adjustment accordingly
MOD Directors of Museums	2) Treatment will need to follow that of General Service
SO Director of the Royal Scottish Museum	1) museums grades
SO Inspector of Schools (Higher grade)	38) These are structural difficulties which are under consideration. The Chief Inspector is in the AS unified grade.
SO Inspector of Schools	61) Unified grading can be considered once pay is decided
	<u>106</u>

B. GRADES PROPOSED FOR PAY ALIGNMENT BUT EXCLUDED FROM UNIFIED GRADING

Departmental Grades

MAFF Regional Veterinary Officer	22 AS alignment
MAFF Senior Research Officer I	15 SP alignment
MOD Director of Studies RMAS/BRNG	2 SP alignment (though omitted from first list sent to CCSU)
DOE District Auditor	12 AS alignment)
DOE Deputy District Auditor	27 SP alignment) Grades to be 'hived off'
FCO Diplomatic Service 4	290) AS alignment. Diplomatic Service grades
FCO Legal Counsellor	8) Not a grade; post currently held by a Senior Prin. Shown in pay alignment list as a grade.
HO Principal, Home Defence College	1 AS alignment
	<u>378</u>

C. GRADES EXCLUDED FROM BOTH PAY ALIGNMENT AND UNIFIED GRADING

i. Medical Grades

General) Senior Medical Officer	186
Service) Medical Officer	387
MOD Senior Medical Officer (Research)) Numbers in grades not known
MOD Medical Officer (Research)	
FCO Medical Adviser	1
HSE Senior Employment Medical Adviser	14
HSE Employment Medical Adviser	54
DHSS/SO/WO Senior Dental Officer	9
DHSS/SO/WO Dental Officer	34
HO Superintendent Inspector of Cruelty to Animals	2
HO Inspector of Cruelty to Animals	12
ODA Assistant Medical Adviser	1
	<u>700</u>

ii. Patents Grades

MOD Director of Patents A&B	2
MOD Assistant Director of Patents	4
MOD Senior Patent Officer	28
MOD Principal Patent Officer	4
DTI Superintending Examiner, Patents	12
DTI Principal Patents Examiner	47
DTI Senior Patents Examiner	303
	<u>400</u>

iii. Other Departmental Grades

MAFF	Deputy Regional Veterinary Officer	21	
MAFF	Senior Agricultural Officer/Senior Horticultural Officer	3	Likely to move to Area K
MOD	Director BFBS	1	Obsolescent grade
MOD	Director of Security (Army and Navy)	2	
DEn	Petroleum Specialist II	3	
DEn	Reservoir Evaluation Specialist I & II	3	
DOE/TP	Principal Planning Inspectors	23	
DOE/TP	Senior Planning Inspectors	119	
DOE/NO	Chemical/Engineering Inspectors	3	
DOE	House Governor/Medical Superintendent	1	
DOE	Chief Inspector AM/HE	1	
DOE	Assistant Chief Inspector AM/HE	2	
FCO	Assistant Legal Adviser	18	Diplomatic grade. Pay as for Senior Legal
FCO	Overseas Police Adviser	1	Adviser
HSE	Inspectorate grades (Factories, Mines and Quarries, Agricultural, Air Pollution, Explosives, Nuclear Installations)	376	Excluded pending possible restructuring HSE Inspectorates
DHSS/NO	Principal Social Work Services Officer	17	
HMCA&E	Senior Inspectors	10	Obsolescent grade
HO	Chief Education Officer, Prisons	1	
HO	Deputy Chief Probation Inspector	1	
HO/SO	Prison Governor I	36	
HO/SO	Prison Governor II	64	
Cab Off (MPC)	Senior Assistant Parliamentary Counsel	4	
Cab Off (MPC)	Assistant Parliamentary Counsel	7	
DTI	Insolvency Grade A	11	
DTp	Deputy Chief Inspector of Accidents	1	
DTp	Principal Inspector of Accidents (Ops)	1	
DTp	Principal Inspector of Accidents (Eng)	1	
DTp	Chairman of Traffic Commissioners	11	
DTp	Chief Driving Examiner	1	
SO	Principal Inquiry Reporter	2	
SO	Inquiry Reporter	6	
SO	Senior Social Work Adviser	8	
SO	Senior Industrial Pollution Inspector	3	
Lord Adv.	Assistant Legal Secretary	3	

 765

THE MANAGEMENT OF THE UNIFIED STRUCTURE

Introduction

1. This memorandum establishes a general framework for personnel management of the new unified grades down to Senior Principal level, including promotion from groups and classes whose higher grades are in the unified structure.

Objectives

2. The objective of unified grading is to contribute to efficiency and effectiveness in the Civil Service, by:-

a) providing flexibility in the organisation of work and the deployment of staff, unimpeded by artificial barriers in the structure;

b) providing wider opportunities for individual development on merit irrespective of method of entry into the Civil Service or former occupational group.

Management Framework

3. Within the unified area, the grading system will no longer make lateral distinctions according to occupation or job type. Each unified grade will contain jobs which, though of equivalent weight, will be of differing types. Jobs will have their own differing requirements in terms of skills, qualifications and experience. Staff will not necessarily be interchangeable across the whole of the unified grade. The framework for personnel management of the unified structure will need to take account of these characteristics and the continued existence of occupational groups and classes below the unified grades

4. The personnel management of staff in the unified structure will remain a matter primarily for each department in accordance with procedures developed in consultation with its trade union side.

5. The unit of promotion at the levels concerned will continue to be each department (subject to cases where central management arrangements apply); and the Permanent Secretary's ultimate responsibility for promotions will remain unimpaired.

6. Unified grading does not affect the continued need for central management arrangements for certain skills and specialisms. The relevant management units will continue to have the role of advising departments on promotion and postings to posts requiring those skills and specialisms.

Principles

7. Bearing in mind the objective of unified grading, the framework within which it will operate and the need for economy, and within the general principles of personnel management in the Service, the arrangements made in respect of the grades in the unified structure, and promotions to it should observe the following principles:-

a) posts should be filled on the basis of merit, taking into account as appropriate, skills, qualifications, experience and potential, but without formal limitation as to the manner in which individuals enter the Service, or the occupational groups or classes to which they have belonged or the work hierarchy in which the post is found;

b) arrangements made for the management of particular skills and specialisms should reflect that the unified grade is an entity with all that implies for equality of treatment and access to jobs for all those who are qualified for them;

c) the procedures adopted should therefore enable consideration to be given on an equal footing to all staff who are eligible in accordance with sub-paragraph a) of this paragraph.

Procedures

8. Within these basic principles, it is for each department to determine, in consultation with its trade union sides, the personnel procedures which will economically and efficiently meet the aims of unified grading and satisfy the needs of their organisation and their staff. Where it is convenient to operate different procedures according to the type of post to be filled, each such procedure should be consistent with the basic principles. Procedures governing promotion into the unified structure direct to the Assistant Secretary level grade should similarly observe these principles (the incidence of such grade skipping promotion reflects the requirements of different work structures and is not affected by unified grading).

PRIME MINISTER

Attached is a submission by Lord Gowrie proposing a Direct Entry Principal Competition this autumn, together with a note from Sir Robert Armstrong supporting Lord Gowrie. You have in the past turned down two requests to hold Direct Entry Principal Competitions. Lord Gowrie's request appears to be based on three premises:

- i. that there is a shortage of good Principals;
- ii. that direct entry Principals are content to remain at that level for the rest of their careers; and
- iii. that resentment amongst main stream executive grades at a direct entry competition will be assuaged by allowing them to take part in it.

I think that all these assumptions are rather doubtful. For example, if it is true that direct entry Principals are not looking for promotion, why should we recruit them?

Do you accept Lord Gowrie's recommendation or would you prefer to stick to your previous line?

*Would he like
to come and have a
word?*

R.

8 August 1983



CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Old Admiralty Building

Whitehall

London SW1A 2AZ

Telephone 01-273 4400

PRIME MINISTER

DIRECT ENTRY PRINCIPAL COMPETITION

I seek your authority to hold an open competition this autumn to recruit about 30 Principals for the Civil Service. I would hope that most of the new recruits would come from outside the service though for reasons I explain later I would also wish to allow internal candidates to apply.

Open competitions at this level were suspended in 1979 as part of the ban on recruitment. Since then my predecessors have sought your authority to resume the competitions, but in both 1981 and 1982 you felt that existing staff were facing diminishing promotion prospects and that concern over their morale should take precedence over the desirability of bringing in people with useful outside experience.

The problem of diminishing promotion prospects is not less serious now than in recent years - indeed in some ways it is worse. But paradoxically I believe that re-opening the Service to direct entrants at this level would form a useful part of the solution to the problem while also meeting a very real operational need.

The operational need arises because we are quite deliberately arranging for greater responsibility to be carried at more junior levels in departments. At the same time, we have been deploying young high-calibre Principals on a much wider range of jobs than in the past to fit them better for future senior management responsibilities. So there is a real need to increase the

proportion of high-calibre staff at Principal level to support our general drive for improved and more devolved management.

The resulting problem is of course that by flattening the pyramid we have greatly reduced the promotion opportunities for our high-fliers. Inevitably some will leave, and it tends to be the best who go. One way of tackling this problem - and it is a commonplace in private industry - is to recruit mature people in mid-career who can soon after appointment do a good job as a Principal but who, as late entrants, do not join us with the expectation of a full career to the top. The proposed new direct entry Principal competition would begin that process.

There are other reasons for seeking a new inflow of mature staff at this level. On past form we will be able to pick up some people with accountancy backgrounds who are more interested in general management than in specialist advisory posts. Such people would contribute directly to meeting our acknowledged shortage of accountancy skills. And the Security Service will undoubtedly find a DEP competition helpful. They are currently short of people at Principal level and have in the past used our competitions as a means of identifying suitable recruits.

Finally, although any proposal to recruit new staff in mid-career will be unwelcome to existing staff at lower levels looking for promotion, I think we can reasonably answer their protests by allowing existing civil servants to apply equally with outsiders for the competition. They would have an equal chance. In practice I doubt whether we would find many suitable candidates this way - departments generally have scraped the barrel for suitable internal promotees - but there will be some, perhaps from smaller departments or in specialist occupations in the civil service, who might have been missed by the existing arrangements for finding internal talent and who would be suitable for employment at Principal level.

The extra cost involved in processing additional applications would

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not be high and, like the cost of the scheme as a whole (£50,000), would be contained within our existing cash limit.

I would welcome an early decision not least because the most convenient time - within the Civil Service Commission's work programme - for conducting the new competition would be this autumn, which would mean starting to advertise at the turn of the month. I need hardly say that hard-pressed departments would welcome the relief which a successful recruiting drive would provide (even though the immediate relief would be marginal - we are thinking of offering 30 posts against a present complement of about 4,000 Principals). If the scheme were successful, as I believe it would be, we could then repeat the operation in future years.

Sej
1/1

LORD GOWRIE
8 August 1983

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08 MAR 1985



COPIES

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Ref. A083/2431

MR FLESHER

The Minister of State, Privy Council Office, will shortly be putting a submission to the Prime Minister, seeking her authority to hold a competition this autumn to recruit about 30 Principals by direct entry.

2. As Lord Gowrie will say, we think that the revival of Direct Entry Principal entry would be a necessary part of dealing with the problems of managing a Civil Service in which the career structure will inevitably be more limited than in the past. We shall be taking fewer recruits direct from university, because of the reductions in numbers higher up the Service; but we shall still need a good supply of good quality Principals who are content to work at that level and are not looking for other than very limited promotion, if indeed even that.

3. The Direct Entry Principals exactly meet that need. They are older people, often very competent, who are looking for a useful job to do rather than a career to pursue. They are content to remain as Principals, or at any rate not to be promoted beyond Assistant Secretary. They are thus not a threat to the career prospects of the "flyers" whom we shall continue to need to recruit from university and whom we shall need to continue to motivate. For this reason I believe that the Minister of State's proposal will not damage the morale of career officers in the grade of Principal. Executive Officers and Higher Executive Officers may feel that their prospects for promotion to Principal are marginally diminished; but the proposal to allow them to enter for the competition should do something to deal with that possible source of criticism.

RA

ROBERT ARMSTRONG

5 August 1983



Prime Minister

Prime Minister

[Handwritten signature]

The Chief Secretary's Minute is attached. If you wish to see the report to which Mr Prior refers, it is available but it is not light reading! The Efficiency Unit and the Chief Secretary agree that it should be published: Do you accept her advice?

A 25/8.

FINANCIAL MANAGEMENT INITIATIVE - NORTHERN IRELAND DEPARTMENTS

1. In my minute of 17 July I indicated my intention to publish an FMI report (not a White Paper) in parallel with the White Paper on the FMI in Great Britain. Your Private Secretary's minute of 17 July indicated that you wished to see the report before giving final approval to publication. I now enclose a copy. *(in attached folder)*
2. As I said in my earlier minute, the Initiative in Northern Ireland has been conducted in a manner which is entirely consistent with the FMI in Great Britain. Its main themes are identified as the improvement of the management of administrative resources and of programme expenditure and the development of information systems. The document, and the work underlying it, also reflect those factors peculiar to Northern Ireland which I mentioned in my minute.
3. I believe that the report demonstrates progress in terms of achievement to date as well as concrete, realistic planning for future action. Since the task is formidable and the potential benefits considerable, I intend that the FMI effort in Northern Ireland should continue to be given a high priority.
4. I should be grateful for confirmation that you are content that I should proceed to publish the Northern Ireland Report simultaneously with the White Paper for Great Britain.
5. I am copying this minute and the report to the Chief Secretary



and to Lord Gowrie, who is of course very familiar with all this work from his oversight of the Department of Finance and Personnel before the election.

A handwritten signature in black ink, appearing to be the initials 'JP'.

J P

5 August 1983

ENC

25 AUG 1953

11 12 1
20 21 22 23
24 25 26 27 28 29 30 31

SUMMARY OF CHANGES

cc D.W

Increases	Significant Decreases	Small Decreases	Closures	No Change
Rosyth AWO Aberdeen AWO AEO Newcastle AWO AEO York AWO Manchester RHQ AEO Cardiff RHQ AWO AEO Plymouth AWO AEO Cheltenham AWO Bulford AWO (Salisbury Plain) Nottingham AWO AEO Shrewsbury AWO AEO Cambridge RHQ AWO AEO Newmarket AWO Colchester AWO Abington AWO AEO Aldershot AWO AEO Portsmouth AWO AEO	Edinburgh RHQ AEO Leeds RHQ AWO AEO Haverfordwest AWO Colwyn Bay AWO AEO Bristol RHQ AWO AEO Birmingham RHQ AWO AEO Hastings RHQ AEO	Glasgow AWO AEO Reading RHQ AEO Preston AWO AEO	∅ Warrington AWO x Bournemouth AWO AEO Chatham AWO AEO Shorncliffe AWO (Folkstone) ∅ possible new DWO x possible retention small estates unit	N. Ireland AWO AEO London (5) 3

TOTAL 17

TOTAL 7

TOTAL 2

TOTAL 5

TOTAL 6

AWO = Area Works Office
AEO = Area Estate Office
RHQ = Regional Headquarters

FROM: CHIEF SECRETARY

DATE: 2 AUGUST 1983



Prime Minister:

The Chief Secretary
wishes to publish the
Report on the Financial
Management Initiative. The Efficiency
Unit approve. Agree? A 9/8.

PRIME MINISTER

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS: DRAFT WHITE PAPER

... I attach the draft of Part 1 of the promised White Paper. Part 2 will consist of summaries of the plans of each of the 32 departments taking part in the Financial Management Initiative. My predecessor sent you a copy of these summaries with his minute of 9 May. They have since been amended slightly but I do not think that I need trouble you to look at them again.

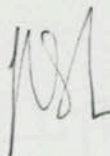
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2. As promised in the White Paper on Efficiency and Effectiveness in the Civil Service of September 1982 (Cmd 8616), this is a progress report. Part 1 summarises the aims of the initiative, describes the common features of the departmental plans and outlines what is to be done at the next stage. It has, I believe, a good story to tell about what has been done so far, but makes clear that there is a great deal still to do. As it says in paragraph 10, this is a programme for the life of a Parliament and beyond. Paragraph 41 gives an undertaking that the Government will publish a further progress report in July 1984. That fits well with the timing of the progress report which you have called for yourself, and Grey Gowrie and I hope you will agree that we should give a further account to Parliament and the public next year.

3. There was not time to publish the White Paper before the Recess. But, as a progress report, I think that it can quite properly be published while Parliament is not sitting (as was Cmd 8616). I suggest that we should aim to clear the text and send it to the printers as soon as possible; subject to your and colleagues' views, I suggest a publication date of Thursday 22 September.

4. You presented Cmnd 8616 to Parliament as Prime Minister and Minister for the Civil Service. I hope that you will think it appropriate to do the same again, but jointly with the Chancellor of the Exchequer on this occasion to mark his special interest in the handling of central government finance.

5. I am sending copies of this minute and the draft to Cabinet colleagues, Lord Gowrie, Sir Robin Ibbes and to Sir Robert Armstrong. I should be grateful if they could let me know whether they are content with it and with the proposals I have made for publication, by 12 August.



for PETER REES
2 AUGUST 1983

(approved by the Chief Secretary
& signed in his absence).

FMI WHITE PAPER

FINANCIAL MANAGEMENT IN GOVERNMENT DEPARTMENTS

Introduction

Central government disposes of a substantial proportion of the national resources, and there is constant pressure to increase expenditure as demands for many public services continue to rise. Total public expenditure in 1983-84 is expected to be 43½ per cent of the gross domestic product. It is the Government's aim to contain its growth in order to curb taxation and borrowing. It is thus essential that resources should be used efficiently and public money spent wisely. Departments need to win public and political confidence that they are pursuing relevant and feasible policies - policies which work, which provide the greatest benefit to the public at least cost and which are consistent with the Government's economic and monetary objectives. A sense of responsibility for achieving value for money must be widely disseminated in the Government service.

2. Against this background the government launched, in May 1982, a Financial Management Initiative to improve the allocation, management and control of resources throughout central government. This programme was announced in the White Paper on "Efficiency and Effectiveness in the Civil Service" (Cmnd 8616) in response to a Select Committee report with the same title. That White Paper dealt with a wide range of measures to improve management in government. The work continues, and will be reported to Parliament from time to time.

3. The present White Paper concentrates on financial management and contains the promised report on the work in 32 departments set in hand last May. It describes progress already made and the plans for the next few years. Financial management, as the term is used here, is the essential link between the government's overall economic policy and the day-to-day pursuit of efficiency and effectiveness in government departments and other public sector bodies.

4. In May 1982 the objectives of the programme were defined as: "to promote in each department an organisation and a system in which managers at all levels have:

- (a) a clear view of their objectives; and means to assess, and wherever possible measure, outputs or performance in relation to those objectives;
- (b) well-defined responsibility for making the best use of their resources, including a critical scrutiny of output and value for money; and
- (c) the information (particularly about costs), the training and the access to expert advice which they need to exercise their responsibilities effectively."

These improvements are intended to support the control and management of expenditure policy at all levels, from Ministers in Cabinet, and as the heads of their departments, to the managers of individual units, large and small. The initiative drew on experience and improvements which Departments had already made or set in hand. Useful advances were made in the 1960s and 1970s, especially following the Fulton Report of 1968⁽¹⁾, in introducing new management techniques and information systems into government. The new plans represent a more far-reaching and comprehensive approach. They cover both administrative expenditure (that is, resources which government consumes itself) and programme expenditure (that is, expenditure which, apart from defence, is largely external to government departments, like procurement contracts, social security benefits, road construction or grants to health authorities, other public authorities and companies).

5. Better use of resources requires a clearer definition of the objectives of expenditure and of the results it is hoped to achieve. Measurement of outputs, wherever this is possible, helps to specify objectives more precisely, illuminates choices between competing claims on resources and provides a means of monitoring efficiency and effectiveness. High-level information systems are being developed primarily to help departmental Ministers and senior management to form a clearer view of priorities and value for money. This greater clarity should also help Treasury Ministers in advising the Cabinet on how to deploy resources overall; and Parliament in assessing the resulting decisions.

6. The management of expenditure, once budgets have been allocated, requires a more detailed specification of objectives and useful measures of performance wherever possible. Managers need to know how much they may spend; why they should spend it; and how their expenditure and results through the year compare with the plan. While the centre of the department receives regular information about the use of resources and the effectiveness of activities, individual managers can then be

(1) The Civil Service: Cmnd 3638

held accountable for their performance, and provided these conditions are met, can have more say in the composition of their budgets and greater freedom to manage within them. This delegation of authority should help them to improve the efficiency and effectiveness of their units, and to be more accountable for so doing.

7. An essential element in departments' plans is therefore better information as a basis for action. Parliament needs good information to vote the necessary funds and to understand how they are spent; the Cabinet, for the annual process of allocating resources; the Treasury, for managing the government's cash flow; Departmental Ministers, to allocate their programmes at the start of the year and subsequently to control expenditure within them; local managers, to plan and run their operations in a cost-effective way and to deliver the best services they can while meeting, or making savings on, their budget targets.

8. But better information is of little value without effective arrangements to handle it or the skilled managers to use it. So one essential feature of these plans is the development or improvement of departmental machinery for the regular review of administrative and programme expenditures, their objectives, the resources devoted to them and their success. Another is the progressive training and development of managers at all levels so that they possess and use all the appropriate skills of financial management.

9. The cost of the work so far which can be specifically attributed to the Financial Management Initiative is relatively small. It has mainly been spent on investigation and planning. From now on, larger sums will be involved - on a preliminary estimate, the plans described in Part 2 will involve direct costs of about £35 million over the next two years. (Some of this will go on computers, terminals and software; some on staff.) The cost has to be found within the total already provided for public expenditure. The Government believes that this deliberate diversion of resources will improve the way in which public money is spent. It will help to identify and eliminate waste, to concentrate resources where the benefits can be seen to be greatest and to give a clearer display of how the money is spent.

10. The work which has begun will take time to implement. New systems have to be constructed in detail, run in and modified as early experience shows to be necessary. Staff have to be made familiar with new approaches and trained in the necessary techniques. It is a programme for the life of a Parliament and beyond. Part 1 of this

White Paper describes the common features of the plans and the work of the next two years. It describes these under four heads:

- (a) better information for Ministers and top officials
- (b) managing administrative expenditure
- (c) managing programme expenditure
- (d) policies for staff management and training.

Part 2 comprises a summarised account by each department of its plan.

PART 1

THE COMMON FEATURES OF DEPARTMENTS' PLANS

Better information for Ministers and top officials

11. The plans concentrate on the information system and machinery needed to support departmental Ministers and top managers in setting objectives, establishing priorities, and allocating resources - all in the knowledge of what the activities cost, and what they are achieving. The aim is to secure the maximum value for money in the allocation of the resources available to the department, and to ensure awareness of changing priorities and fast adaptation to them at all levels.

12. The Management Information System for Ministers (MINIS) in the Department of the Environment was the forerunner in this field. It was initially developed to enable its Secretary of State to probe "who does what, why and what does it cost?" The system has been continuously developed in its four years of operation. Its three key features are the preparation of statements summarising performance and plans for all the department's activities and their cost; the examination of these at meetings between each Director and senior management and Ministers; and the requirement to follow up with agreed action.

13. Part 2 shows how other departments are developing similar high-level procedures and information systems. MINIS is now being developed in the Ministry of Defence to cover all MOD functions and manpower, service and civilian, except at present for the front-line. Like the original MINIS, it starts with statements of the objectives, functions, costs and achievements of the various parts of the department (and will be complementary to the annual "Long Term Costing" process of resource allocation and policy and programme review). A similar approach has been adopted by some others, including the Department of Health and Social Security with its system of Divisional

Management Accounts. Others, like the Department of Trade and Industry and Customs and Excise, have started "top-down" by identifying the aims and objectives of the department as a whole to provide a basis for allocation of resources and the development of annual work plans for the component units. The former approach has been found more appropriate by very large departments with a wide spread of discrete responsibilities. Both lead into an annual cycle for monitoring progress against objectives, reviewing priorities and reallocating resources accordingly.

14. Figure 1 overleaf shows the main features of the systems which some major departments are adopting. All cover the department's administrative expenditure. Most also cover programme expenditure. Each department needs satisfactory arrangements for monitoring and reviewing programmes as well as administrative costs, but the nature of its business will determine whether a single system should cover both, or separate but linked procedures are needed for external programmes. The thorough re-appraisal of a programme will often have to be handled as a separate task in parallel because of the amount of special analysis required.

15. Many departments are introducing new or improved machinery for reviewing these systems and handling what they produce. A common pattern is the establishment of a top-level board or committee chaired by the Permanent Secretary which prepares advice for the Minister and supervises the implementation of his decisions.

16. These planning cycles must be closely related to the annual public expenditure survey and the annual Supply Estimates presented to Parliament. Devising effective links will be one of the tasks for the next phase.

Management of administrative expenditure

17. The plans are generally directed towards dividing departments' work into appropriate blocks, and into "cost centres" within each block; making their managers accountable for the management of the costs within their control and for the results they achieve; and establishing procedures, information systems and measures for setting the targets and budgets against which performance will be judged.

18. A review of the control of running costs in six departments co-ordinated by the MPO in 1982, has helped to show the way forward. The report of the review has been made available to Parliament⁽²⁾.

⁽²⁾ Written Parliamentary Answer on 26 April 1983 (Official Report Col 278)

Figure 1
DEPARTMENTAL HIGH LEVEL MANAGEMENT INFORMATION SYSTEMS

	Name given to its System	Type of expenditure covered	Timespan Covered forward/back	Level at which statements produced	Cost inf. given to line managers	Provision for showing objectives	Provision for performance measures	Timing of introduction
Agriculture	MINIM, supported by MAIS	Administrative and programme	2 years forward and 1 year back	Under Secretary	MINIM not designed to do this; MAIS will give monthly/quarterly information	Yes; to be developed further	Yes; to be developed further	Initial run of MINIM in 1983; MAIS complete by 1985-86
Customs	Board's Management Plan supported by PES and Review of Running Costs	administrative (department has negligible programme expenditure)	1 year forward and back	Under Secretary	varies at present; future system to be decided	Yes	Yes - to be developed further	Initially 1983- to be developed
Defence	(a) MINIS (Management Information System for Ministers and Top Management)	administrative (except front line) and programme	2 years forward, 1 back (perhaps 1½ years forward, 6 months back on 2nd round)	Under Secretary and military equivalent	Annually (quarterly or monthly cost or management accounts available for most programme areas)	Yes - at both U/S and A/S (and military equivalent) levels	Yes	First round, January - September 1983. Then annually.
	(b) Long Term Costing	all expenditure, in line detail	10 years forward	Project and programme managers provide inputs; coordinated at Deputy Sec level	Annually	Future force levels and policy assumptions shown in detail	No	Early 1960s
Employment	Senior Management Group supported by RIS (Resource Information System)	Administrative (detail on non-staff costs to be developed) and programme	1 year forward and back, longer if necessary, eg for PES purposes	Assistant Secretary or Senior Principal	Monthly to all cost centres	Yes	Yes - with special attention in first SMG round	SMG run in 1983 without RIS information, which should be available for 1985.
Environment	(a) MINIS (Management Information System for Ministers) operating with	reviews functions including programme costs	1½ years forward, 6 months back	Under Secretary	-	Yes	Yes - to be developed further	Running since 1979. 5th round starts autumn 1983
	(b) MAXIS (Management of Administrative Expenditure Information System)	Covers administrative costs	Financial years	Varies: cost centre manager (SEO to Deputy Secretary)	Quarterly or monthly reports, plus on - line interrogation	-	-	Progressively from April 1983
Health and Social Security	DMA	administrative and programme	1 year forward and back	Under Secretary	monthly to 800 cost centres	Yes	Yes	initially run in 1982-83
Home Office	APR	administrative and programme	1 year forward and back	Assistant Secretary (heads of division)	Annually in APR (expenditure information available monthly)	Yes	Yes	initial run in 1982

Inland Revenue	SMS	Administrative (department has little programme expenditure)	1 year forward and back	Under Secretary	will be provided by FAMAS	Yes	Yes - but to be developed further	pilot run 1983-84
Scottish Office	Scottish Office management planning system (with associated management information and budgeting system)	administrative and other expenditure on directly- managed depart- mental operations	1 year forward and back	Assistant Secretary or Senior Principal	monthly for costs controlled by line managers	Yes	not yet - under development in 1983	management planning system revised from 1983; information system to start from 1984-85
Trade and Industry	ARM supported by MIS	administrative and programme	1 year forward and back	Under Secretary	monthly (to divisions) quarterly (at departmental level) as MIS advances permit	Yes	Yes	First ARM run in 1983-84
Transport	(a) Review of Objectives and Costs	administrative and programme	Concentrates on 1 year forward. Broad look further ahead	Under Secretary	-	Yes	Yes-being developed	Currently being developed
	(b) MAXIS (Management of Administrative expenditure Information System)	administrative	Monitors current year. Budgets 1 year forward	Cost centre manager, level varies, Principal to Under Secretary	Quarterly or monthly reports, plus on-line interrogation	-	Yes-being developed	Progressively from April 1983

19. The timetables set out in Part 2 involve a major effort over the next two years. More pilot schemes are being prepared. Budget holders are being identified. The necessary management accounts and information systems are being developed (where they do not exist already) so that the costs and results of each unit can be reported regularly. The procedures for setting budgets and monitoring performance against them at each level are being established. Managers are to be familiarised with the new approach and trained in the necessary skills.

20. The development of better information systems will generally be accompanied by some development of local budgeting so that more decisions about the use of administrative resources can be taken by the manager on the spot within the policies and procedures that apply to his part of the work.

21. These arrangements will involve the manager more fully in the process of setting his administrative budget and sharpen his responsibility for controlling his costs and delivering results once the budget has been fixed. He will need a clear knowledge of the money and other resources available for his operations; the prompt reporting of his costs so that he and his superiors know what is being spent in each period; and suitable measures of performance to which these expenditures can be related. He will then be able to report, assess and improve the value for money achieved by his unit.

22. Part 2 shows a variety of approach. For example, the Department of the Environment and the Department of Transport are going straight to a complete array of responsibility and cost centres, with budgets allocated to each, covering all administrative costs. The system began live running in April 1983. Arrangements for the centres to take a full part in developing their budgets will be put in place ready for 1984-85 and ground rules will be established to govern the discretion of budget-holders to vary the mix of their expenditure within the year. Building on the results of pilot schemes, the Department of Trade and Industry is extending arrangements for delegating considerable and specific discretion to the heads of certain large and physically freestanding units. In April, the Ministry of Defence inaugurated trials of "responsibility budgets" at nine establishments and further trials are now being put in hand; these cover programme as well as administrative expenditure. Other departments have started by placing some, but not all, cost elements within the authority of line managers, with the intention of moving to a fully-fledged budgetary system by stages. This is the majority approach; the Department of Health and Social Security, for example, is building a budgetary control system on to the arrangements

security offices⁽³⁾.

23. The number of budget-holders in a department and the extent to which responsibility for resources can sensibly be delegated down each management line will reflect the nature of its business. In DOE, for example, where a typical HQ Under Secretary has less than 150 staff, cost-centre managers range in level from Senior Executive Officer to Deputy Secretary - the typical manager being an Assistant Secretary with between 10 and 40 staff. By contrast, the DHSS Under Secretary in charge of the network of local social security offices has some 60,000 staff in over 500 offices. In this command, therefore, DHSS are taking the local office as the basic unit for budgetary control purposes. In the Department of Employment the Senior Principals and Senior Executive Officers who are the regional and area managers in the unemployment benefit offices are likely to be budget holders rather than the Higher Executive Officers in charge of local offices, which are much smaller than those of DHSS.

Management of programme expenditure

24. Programme expenditures are much more varied than administrative expenditures. Some are handled directly in departments, while others are the responsibility of local authorities, public corporations and non-departmental public bodies. The Government's expenditure plans in total are reviewed and rolled forward each year in the public expenditure survey. But this process cannot accommodate detailed re-examination of each part. Part 2 shows that many departments plan additional arrangements to sharpen their scrutiny.

25. The common lines of development in managing programme expenditure are as follows:

- (a) Clarifying the nature and extent of each departmental manager's responsibility for controlling or influencing the expenditures with which he is concerned, and their results. This theme is reflected in several plans, for example those of MAFF, the Scottish Office, Department of Energy, Department of the Environment and the Home Office. It is coupled in some cases with the systematic assembling of basic information about the objectives of existing policies, criteria or targets against which to assess results and the costs of both the programme itself and of running it. The

(3) "Development of a Budgetary Control System for the Administration Vote", Price Waterhouse Associates for the DHSS, DHSS 1982.

information will be used both in the running of the programme where it is directly handled by the department, and for the periodical review of all expenditure programmes, whether as part of the planning cycle described in paragraphs 11-16 or separately. Some departments, such as MAFF, plan a cyclical scrutiny of their policy programmes over about ten years. The Ministry of Defence already has a well-established system of this type.

- (b) Improving project appraisal and the analysis of cost-effectiveness. This is crucial for obtaining better value for money. Thus the plan of the Department of Trade and Industry includes more emphasis on cost-effectiveness analysis, especially for industrial assistance schemes, and the introduction of quantified objectives with the aim of assessing after the event how well a scheme has met its objectives. Revised guidance by the Treasury on the techniques of investment appraisal has recently been supplemented by a further guide on its management in government departments⁽⁴⁾.
- (c) Clarifying responsibilities and relationships where the spending authority is outside the department. On non-departmental public bodies, guidelines have been published by the MPO⁽⁵⁾ following the Pliatzky Report in 1979⁽⁶⁾. The prime responsibility for executing programmes lies with the body concerned, within a suitable planning arrangements to ensure that the body's objectives are consistent with Ministers' objectives. Departmental programme managers should agree these arrangements, ensure that the body has effective management systems, and review its performance in relation to the objectives. The plans of the Home Office, the Department of the Environment, the Department of Education and Science and the DHSS include action on this. For example the Department of the Environment is developing a more clearly articulated and regular framework of financial planning and monitoring as a basis for its relations with such bodies, and encouraging them to develop corporate planning processes and MINIS-type systems. The Department of Education and Science is undertaking a pilot examination of its relations with the Science and Engineering Research Council as a prelude to considering its links with its many other non-departmental organisations.

(4) Investment Appraisal in the Public Sector: HM Treasury 1982; and Investment Appraisal in the Public Sector: A Management Guide for Government Departments HM Treasury, 1983

(5) Non-departmental Public Bodies: A Guide for Departments, CSD, HMSO 1981

(6) Report on non-departmental public bodies: presented to Parliament by the Prime Minister, Cmnd 7797, HMSO 1980

26. The recent DHSS report on Health Care and its Costs⁽⁷⁾ describes the measures that have been taken to strengthen financial management and improve the efficiency of the NHS. These include streamlining the management structure and a new system of accountability reviews backed by the development of performance indicators and improved management information systems. The NHS Management Inquiry will advise on how the principles of the Financial Management Initiative should be applied to NHS management.

27. Local authorities are accountable to their own electorates and ratepayers for ensuring that their services are provided economically and efficiently. But central government is also concerned with many aspects of local authorities' work and its activities affect local authorities in many ways. Central government therefore needs to do whatever it properly can to encourage and assist local authorities in the steady improvement of their efficiency and effectiveness. It also needs to ensure that its own means of influencing local authorities through controls, grants, borrowing approvals etc, are operated in such a way that both individually and collectively they promote good practice, efficiency and effectiveness in local government.

28. Over the past four years central government has encouraged authorities to monitor their own performance more closely, for example, by comparing and publishing costs for particular services. It has also established the Audit Commissions⁽⁸⁾ to promote good practice in local authorities and to develop value for money audit and comparative studies. It has reformed the rate support grant and capital expenditure control systems. Attention continues to be paid to improving the flow of information about local authority financial matters to central government so as to improve macro-economic management of the national economy.

29. Department of the Environment and the Scottish Office are currently discussing with other government departments and local authorities how central and local government practice can be further improved. Matters for attention include the strengthening of medium-term financial planning for capital expenditure; the efficiency of arrangements for the operation of specific grants; and the development of output measures.

30. Central government has more specific powers and duties in relation to certain services. For example, although police authorities have primary responsibility, the Home Secretary has a statutory duty to promote the efficiency of the police. The

⁽⁷⁾ Health Care and its Costs, HMSO 1983

⁽⁸⁾ The Audit Commission in England and Wales and the Commission for Local Authority Accounts in Scotland

Home Office's plan includes improvements in the way it discharges this task, notably by enhancing the resource information system for HM Inspectors of Constabulary.

31. Such direct involvement would not be appropriate in other local authority services where central government support is given through the non specific rate support grant, such as education. There is still however scope for improvement in the handling of central government's side of this relationship. Thus the plan of the DES includes further work on (a) the relationship between individual authorities' expenditure on education (which accounts for half of total local authority current expenditure) and the Government's assessment of their needs for the purposes of rate support grant; (b) the means of assessing output and value for money (a problem of special difficulty where social programmes are concerned).

Implications for staff management

32. The plans summarised in part 2 concentrate on systems and procedures. But these will not be effective without complementary changes and improvements in the management and training of staff.

33. For many managers staff are the most important resource, and the largest cost, for which they are responsible. The MPO has just published the Report of a Review of Personnel Work in 9 Government departments, conducted in parallel with the preparation of the plans for financial management. The Report of the Review⁽⁹⁾ supports the thrust of the Financial Management Initiative in its emphasis on giving line management at all levels much greater responsibility for the day-to-day management of their staff and sharpening their accountabilities in this as in other respects. This and other current developments are more fully described at Appendix 1.

Training for financial management

34. The three major target groups for fuller training in financial management are:-

- (a) staff likely to reach senior management posts which require an understanding of financial principles and practice, the Government-wide financial system and the particular systems operated by their own departments;
- (b) staff working in finance divisions and related activities who must be the experts in these systems;
- (c) staff with significant responsibility for managing resources.

⁽⁹⁾ Written Parliamentary Answer on 14 July, 1983 (Official Report Col 390-391)

The needs of these groups will be met as appropriate by departments directly, by the Civil Service College, or by external bodies.

35. The Civil Service College concentrates on broadening the awareness of basic concepts of general application in government, the training of senior staff, and the organisation and some provision of training in accountancy and audit. Demand for College courses in investment appraisal, finance, accountancy and internal audit has increased greatly and the number of student days provided for will have doubled in two years; growth will continue. Courses with a "value for money" theme are in particularly high demand.

36. For senior management, the College introduced the Senior Finance Course in 1982-83, now mandatory for those appointed to be the Principal Finance Officer of a department. It is being further developed and now includes the following modules:

- developments in financial management in Government
- government accounting
- commercial accounting
- management accounting
- resource allocation and investment appraisal
- performance measurement
- use of computers in financial management
- sponsorship responsibilities.

In addition the College is arranging a series of seminars to bring together senior staff who have significant responsibilities either for administrative expenditure or for programme expenditure. These will help officers in different departments to share ideas and plans, thus supplementing the cross-fertilising role of the Treasury and the MPO and their joint Financial Management Unit.

37. A major programme of training in internal audit has been established to a standard set by the Treasury⁽¹⁰⁾. To meet demand quickly, a number of polytechnics are setting up courses in conjunction with the Civil Service College. For professional accountancy training, places have been arranged at polytechnics and in some accountancy firms, and the places available to other departments at the Ministry of Defence training centre at Worthy Down have been expanded.

(10) The standards are reproduced in the Government Internal Audit Manual, see paragraph 47

38. Most of the necessary training however will be provided by departments for their own staff, concentrating on the application of financial management skills to departmental systems. In the Department of the Environment and the Department of Transport, for example, seminars have been held for all cost-centre managers and for the cost-centre liaison officers who will be responsible for the day-to-day running of the system. In DHSS, the introduction of cost-centres was preceded by an educational process flowing outwards and downwards from headquarters; and training will be continued as necessary as the scope of the budgetary controls is extended to more elements of costs.

39. Training within departments on specific skills and techniques is also being stepped up: for example the Home Office has begun training in the techniques of investment appraisal in conjunction with the Civil Service College, and a major training programme in financial management has been mounted in the Lord Chancellor's Department for both the appropriate staff in the Courts Service throughout England and Wales and the staff at headquarters.

THE NEXT STAGE

40. The next stage is for departments to make further progress in implementing their plans to the timetables set out in Part 2. The Government will publish a ~~final~~ *furthe* report in July 1984.

41. The Treasury and MPO will continue to keep closely in touch with departments as their work goes forward, both directly and through their joint Financial Management Unit⁽¹¹⁾. Some departments have invited the Treasury to join steering committees and working groups. Generally the aim will be to monitor progress and to help spread ideas and best practice between departments. Formal reporting will be kept to the necessary minimum so that departments are not deflected from getting on with the job. Civil Service Trades Unions will be consulted as appropriate, by departments or by the Treasury and MPO.

42. Other related work will be carried forward in the following areas, described more fully below:

- (a) Work on common practical problems and issues;
- (b) Implication of the developments in financial management for staff inspection, internal audit, and management services advice to managers;

(11) This unit was set up in the summer of 1982 for one year in the first instance. It consists of civil servants and consultants working in a joint team to advise individual departments and bring common problems to the attention of the Treasury and MPO. It will be kept in being until the spring of 1984.

- (c) Implications for the work of the Treasury and MPO;
- (d) Implications for meeting the needs of Parliament and the public for financial information.

Common practical problems

43. Some problems are being tackled which are common to all or most departments. Perhaps the most important are those that bear on the extent of the authority that can be delegated to managers consistently with maintaining the necessary degree of departmental control. For example:-

- (a) how best to integrate controls over Civil Service numbers with managers' budgets for expenditure. Since staff costs are by far the largest element in administrative costs, it is desirable to include them in each budget, but necessary to do so in a way which maintains taut control over the size of the Civil Service;
- (b) striking the best balance between flexibility within each budget (thus increasing the responsibility of the budget-holder for his use of resources) and flexibility between budgets (thus preserving some room for manoeuvre for the department as a whole within the year);

Other common problems include:-

- (c) achieving the best timing of the budget cycle;
- (d) developing adequate indicators and measures of performance;
- (e) where there is a network of local offices, how best to ensure that local staff get their priorities right when their tasks are specified by a number of different divisions at headquarters.

The Treasury and MPO will keep in touch with progress over these problems and ensure that useful experience is disseminated. They will be helped in this task, as in others, by the Financial Management Unit.

Staff inspection, internal audit, and management services

44. Confidence in the competence of managers and the soundness of systems is a condition for the delegation of greater authority: changing the lines of control must not mean loss of control. Some departmental plans include further action to develop inspection and advisory services. Staff inspection is concerned with the numbers and

grading of staff in relation to the work to be done. Internal audit is concerned with the effectiveness of a department's internal controls, financial and otherwise, supplementing the primary responsibility of the managers in each line of command. Both provide assurance to the Accounting Officer of a department (usually its permanent head) and thus have an inspectorial role. Both also provide advice and recommendations to line managers; in this role they complement other management services. Management services units in departments have often been closely associated with the work of Rayner scrutinies and other reviews.

45. One theme in the plans is closer co-ordination of the units concerned, to maximise their effectiveness. The Ministry of Defence has drawn the three functions together in its new management audit organisation. The Inland Revenue has set up a co-ordinating committee of the heads of each unit under the chairmanship of the Principal Finance Officer to harmonise individual work programmes and arrange for inter-disciplinary studies where necessary; a similar arrangement has operated in Customs and Excise for some 2 years. In many cases action had already been set in hand before the present initiative began and is not specifically covered in Part 2. Action to improve staff inspection began in 1980, and to improve internal audit in 1981.

46. Many departmental internal audit units have already been restructured; the professionalism of the staff is being improved, partly by establishing a major training programme; and the Treasury has begun to publish a Government Internal Audit Manual, prescribing standards and giving guidelines for good practice. It is also issuing guidelines of good practice in staff inspection.

47. The 1983 efficiency programme⁽¹²⁾ includes a centrally co-ordinated review in six departments of their consultancy, inspection and review capabilities. This review will be completed early in 1984. Like the review of running costs, it is expected to yield conclusions useful to many more departments than those taking part.

Implications for the work of the Treasury and the MPO

48. The Treasury has to advise the Cabinet on the total sums that should be made available for public expenditure and its distribution in accordance with the economic policies of the Government. It also has to ensure that expenditure through the financial year conforms as closely as possible to the plans. For these purposes it needs

(12) The programme was outlined in a written Parliamentary answer on 20 December, 1982 (Official Report Cols 303-305)

the best possible analysis of the costs and outputs of particular expenditure programmes, and accurate and timely information about the flow of expenditure. The plans described in Part 2 will support the Treasury's role on both counts: the results of the reviews of expenditure should be made available to the Treasury, and work has been set in hand to consider how the financial information systems set up in departments can help to improve the timeliness and reliability of the data and forecasts which are already provided to the Treasury on cash flow.

49. The dialogue between the Treasury and the spending departments over the public expenditure survey and significant new proposals for expenditure should be made more fruitful by the improved information which new departmental systems produce. At the same time however, as these systems improve, both the Treasury and the MPO in their respective fields should be able increasingly to rely on their effective operation to reduce the need for prior consultation over more minor matters. The existing rules and limits of authority delegated by the Treasury and MPO to spending departments are being reviewed with this in mind, and the process will continue as departmental systems develop, subject to the maintenance where necessary of common rules and standards across the Civil Service.

50. It follows that the Treasury and MPO will be increasingly concerned with the effectiveness of departmental systems and the flow of accurate information rather than with detailed casework on minor matters. In key areas, such as investment appraisal, staff inspection and internal audit standards or guidelines are being developed for the guidance of departments in making their own managerial decisions. The Treasury and MPO will follow through to see that they are applied. This process will continue.

Meeting the needs of Parliament and the public

51. The introduction of decentralised budgetary control arrangements in a department may make it desirable to alter the detailed structure of its Supply Estimates presented each year to Parliament. When further work in departments has established what is needed the Treasury will (if the changes would be significant) make proposals to the appropriate Parliamentary Select Committees.

52. Developments in the structure, content and form of the annual Public Expenditure White Paper and of the Supply Estimates will take into account the recent

report⁽¹³⁾ of the Select Committee on Procedure (Finance) and the needs of the departmentally-related Select Committees in playing their growing part in Parliament's consideration of Supply Estimates as well as those of the Exchequer and Audit Department and the Public Accounts Committee. These documents should so far as possible become a ready starting-point for examining the performance of a department in more detail.

53. In particular, it is intended to develop the White Paper to contain clearer statements of the policy objectives to which expenditure is directed; and these will in turn be related to progress and performance indicators wherever possible. The intention is that there should be the closest possible relationship between both the Public Expenditure White Paper and the Estimates and the information systems which departments are developing for the management both of programmes and of their own activities and costs.

54. The general aim is to disclose as much information as possible from departments' internal management information systems. There are however clearly some areas where publication is not appropriate, for example because the material has security implications, or because it would disclose management intentions where this would be self-defeating, such as in action against fraud or tax evasion. Each Minister in charge of a department must make his own decisions about these matters.

(13) First Report from the Select Committee on Procedure (Finance), Session 1982-83, 4.c. 24-1

COMPLEMENTARY DEVELOPMENTS IN STAFF MANAGEMENT

The Central Report of the Review of Personnel Work focusses on the respective personnel responsibilities of central and operational departments and, within departments, of personnel and line managers. It includes a number of detailed recommendations on recruitment, probation, staff appraisal, career management, promotion and inefficiency procedures.

2. A main theme is that there should be greater decentralisation of personnel work both from the centre to departments and within departments. In general line managers should take more direct responsibility for the management of the staff under them so that personnel work becomes an integral part of their duties. The balance between the centre and the line will vary according to function and departments circumstances; the division of accountability between line managers and personnel divisions needs to be clearly defined.

3. The recommendations of two other Management and Personnel Office reports commissioned during the year, the Fraser report on Management Development in the 1980s (14) and the Atkinson Report on the Selection of Fast Stream Entrants (15), are also concerned with improving personnel management in the Civil Service. Both should improve the processes of recruiting and bringing on senior managers for the future.

4. The Report of the Review of Personnel Work has particularly important implications for the staff reporting system, and for the training of line managers. The priorities of the Cabinet Office (MPO) for action in the coming year, jointly with the Treasury as appropriate are:

- (1) Sharpening the incentives to good performance - it is a prime function of line managers to ensure that staff

(14) Written Parliamentary Answer on 14 July, 1983 (Official Report Col 390-391).

(15) "The selection of fast stream graduate entrants to the Home Civil Service, the Diplomatic Service and the Tax Inspectorate: and of candidates from within the Service", report by Sir A Atkinson, published by MPO, 20 April 1983.

under their control perform well. The annual staff reporting system is being reviewed to make the basis of staff assessment more performance-orientated. Revised procedures are being developed. Following the report of the Committee of Inquiry into Civil Service Pay (16), consideration is being given to ways of introducing a performance-related pay system as an additional spur to good performance. The development of management systems with clear indicators of objectives and performance would also help to provide a firmer basis for any late move to performance-related pay systems. Some forms of performance-related pay could require a substantial recasting of the basic pay structures of the Civil Service. Early action is however possible, and will be pursued, in sharpening the management response to inefficiency and poor performance by individual members of staff.

(2) Improving career development for managers - new succession planning arrangements are already in place and working. Career management for those likely to become senior managers will be improved, with less frequent job changes and postings and improved training. The training effort of the Civil Service College and departments will be reinforced, especially for senior management and staff concerned with financial management. A new training course will be introduced for those entering the Open Structure (ie the grades of Under Secretary and above).

(3) Extending unified grading - the choice of grades in which staff are employed and the pay structures applicable to them are among the most important tools of management. There is widespread recognition that the present pay and grading structures of the Civil Service are capable of improvement. Major reform can, however, be costly and progress is necessarily limited by the resources available. Nevertheless, steps are being taken this year towards a more unified grading structure to help break down the

(16) Inquiry into Civil Service Pay, Report of an inquiry into the principles and the system by which the remuneration of the non-industrial civil service should be determined. Chairman, the Rt Hon Sir John Gore CBE TD Cmnd 8590 (2 volumes) July 1983.

barriers between the main occupational groups - administrators, scientists and professional and technical staff - down to Assistant Secretary, Senior Principal and equivalent levels. The possibility of a further extension of this process will be examined in due course.

Civil Service: Lytton Pt 13

3 AUG 1983

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Sub

10 DOWNING STREET

From the Private Secretary

2 August 1983

The Prime Minister has seen Lord Gowrie's minute of 27 July about personnel work in the Civil Service. She has agreed that a small team of officials from the Efficiency Unit, the Cabinet Office and the Department of the Environment should undertake a quick survey along the lines suggested in the minute. She hopes that the survey will be completed in time for a meeting either at the end of September or mid-October.

I am sending a copy of this to John Ballard (Department of the Environment).

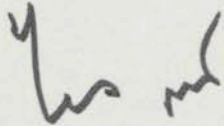
TIMOTHY FLESHER

Mrs. Mary Brown,
Privy Council Office.

HU

Prime Minister:

PRIME MINISTER



Lord Gowers comments
on Mr Jenkins' structures &
personnel management in the Civil
Service. Do you agree to read
& overleaf with a view to a
meeting in September?

PERSONNEL WORK IN THE CIVIL SERVICE

JF 27/7

Your Private Secretary wrote to mine on 18 July asking for my comments on a minute about the resources devoted to personnel work in the Civil Service which Patrick Jenkin sent you recently. You also asked to see the correspondence which passed between Patrick Jenkin and Janet Young on this subject before the election.

... I attach copies of the correspondence so far as we can trace it. As you will see the documents we have contain no references to the results of the "preliminary inquiries" Patrick says he carried out in the Department of Industry, no reference to John McGregor's inquiries of private sector companies and no comparative figures. It may be that our records are incomplete and we have asked Patrick's office either to confirm our version of the correspondence or to let us have copies of any missing documents.

It would be unfair to Patrick to draw comparison between the correspondence I have seen and his recent minute to you until we are sure we have all the paper. At the same time I think I must say that I find it hard to reconcile Patrick's statement that it "proved quite impossible to persuade the MPO to treat this as a matter requiring serious investigation" with the last two substantive paragraphs of Janet Young's letter to him of 4 November 1982, the fourth paragraph of his reply to Janet of 24 November 1982 and his Private Secretary's letter to MPO of 14 March 1983.

Following Patrick's approach, the MPO sought to compare the numbers employed on personnel work in the Civil Service with those in a number of private companies and, through the Institute of Personnel Management (IPM), in the private sector generally. The results proved extremely disappointing. Only one of the companies was able to provide any figures, and these were not very illuminating. Others offered problems and definitions and differences in distribution of work as reasons for not being able to provide figures which would be valid as a basis for comparisons. For their part, the IPM advised that there had been no reliable survey of people engaged in personnel work in the UK and they did not believe that the figures existed upon which valid comparisons could be based.

However there is little point in raking over the past: what matters is the action we take now. Patrick makes two substantive points:-

- (a) that there is a "gross disparity in the number of people employed on personnel work in the Civil Service compared with similar private sector organisations"

- (b) that a factor in this difference is the over-elaboration of staff management policies in the Service to the point where "the number of staff required to administer the system becomes wholly disproportionate to the size of the Civil Service as a whole".

I do not know whether either charge is well founded, but I am sure we should investigate both. The question is "how" not "whether".

X | On the first point - comparative resources - I am not attracted by Patrick's suggestion that we should invite two or three senior private sector managers to have a first look - if only because of the delay likely to be involved. An alternative would be to ask a small team of officials drawn from the Efficiency Unit, the Cabinet Office (MPO) and Patrick Jenkin's own department to make a quick survey over the holidays - both in and outside Government - so that our consideration of next steps can be informed by prima facie evidence. Their inquiries outside could include some of the companies which Patrick has mentioned.

Y | As to the second point - too much central prescription - I think we might ask Patrick to set out for us those points of the central rules - deriving from Treasury and MPO - which he considers to be particularly wasteful of his own staff resources and to make some estimate of the resources involved. A few specifics will be worth a great deal more to us than any amount of generalisation.

I would of course be glad to join in a meeting. Perhaps the best time for this would be after we have had the results of the inquiries I have suggested.

I am copying this minute to Patrick Jenkin.

Bej.

LORD GOWRIE

27 July 1983

Civil Service
Long Term Margaret
13

CONQUEROR

1/2



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

From the Private Secretary

30 March 1983

Stephen Nicklen Esq
Private Secretary to the Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

cc. PS / MOS
PS / 2PS
Mr. P. Cassels
Mrs. Stannard
Mr. Gurney
Mr. Coughlin

Dear Stephen,

CONTACT WITH PRIVATE SECTOR FIRMS

Many thanks for your letter of 14 March with names of firms in the private sector which would be suitable for making comparisons with the Civil Service in terms of their personnel policies and procedures.

As you recognise, this information has come too late to be taken into account in our current Review of Personnel Work, on which Mr Cassels will be reporting to the Prime Minister and the Lord Privy Seal next week. However, occasions quite frequently arise when we in MPO need to get in touch with outside companies to find out about their personnel practices. So I am sure we shall be able to make use of your helpful list in the future. As and when approaches are made, we shall not disclose the origin of the suggestion.

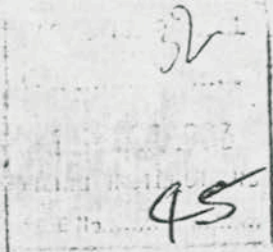
I am copying this letter to John Whitlock (Trade) and Adrian Carter (Treasury).

Yours sincerely,
Mary Brown

MARY BROWN



10198
Secretary of State for Industry



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

14 March 1983

Mary Brown
Private Secretary to the
Lord Privy Seal
Management & Personnel Office
Whitehall SW1A 2AZ

LORD PRIVY SEAL	
Adm. Sec. (T) (C)	For a short reply please
PC and Perm. Sec.	
Mr. Bristley Mr. Hanson Mr. Langrish	

Dear Mary

STAFF SAVINGS

The Lord Privy's Seal's letter of 2 December 1982 accepted my Secretary of State's offer to let her have names of firms in the private sector which would be suitable for making comparisons of numbers engaged in personnel work in the civil service compared with other bodies.

As you are aware, it was not possible to provide this information in time for it to be taken into account in your current review since, as Lady Young's letter said, the Departmental teams were due to report by the end of 1982 and the organisations we consulted took some time to respond. You nonetheless thought that it would be useful to you to have our suggestions for future reference.

One of our Ministers, Mr Butcher, has been in touch with the CBI and the Association of British Chambers of Commerce. He met Mr Richard Worsley of the CBI who told him that they had sent an appropriate list of names to the Treasury. The Association of British Chambers of Commerce has now come up with the following names:-

Littlewood
Boots
Rowntree Mackintosh
Reckitt & Colman
Tube Investments
Delta Metal
Allied Breweries
(Burton on Trent)

Lucas Industries
Dunlop
BL Cars
Courtaulds, (Coventry)
Firestone (Wolverhampton)
GEC (Rugby)
Bass, Mitchell & Butlers
(Capehill Brewery,
Birmingham)



The ABCC has asked that if any approach is made to these firms the origin of the suggestion should not be disclosed. Ministers have also suggested adding the names of Rank Xerox and Mars.

I would be grateful if you could let me know before you approach any of the companies mentioned in this letter.

I am copying this letter to John Whitlock (Trade) and Adrian Carter (Treasury).

Yours sincerely

Steve Nicklen

STEPHEN NICKLEN
Private Secretary

01-273
01-273

28
45

2 December 1982

The Rt Hon Patrick Jenkin MP
Secretary of State for Industry
Department of Industry
Ashdown House
123 Victoria Street
London SW1E 0RB

C-PS/Pers Sec
PS/2nd Pers Sec
Mr Fryer
A. M. Lock
Mr Priestley
Mrs Slane
Miss Bacon
Mr Davis
Mr Gurney
Mr Tobias
Mr Phillips

Dear Patrick,

STAFF SAVINGS

Thank you for your letter of 24 November. I note what you say about the use of the Staff Transfers Unit, the examination of security standards and your review of messenger services.

You raised the question of comparing the personnel management practices followed by the private sector with those used in Government Departments, as part of our Service-wide Review of Personnel Work. It may be that my previous letter of 4 November was unintentionally misleading in referring to our disappointing experience in this respect. That was a reference to our attempt, which is proving very difficult, to compare the numbers employed on personnel work in the Civil Service with those outside. It was not intended to refer to the more general question of comparing personnel practices. We have sought to do precisely this during the Review. For example, the central team here and the nine departmental examining teams spent a full day at the Institute of Personnel Management discussing private sector experience. They followed this up with visits to five private sector companies suggested by the Institute, namely the Ford Motor Company, Barclay's Bank, Cadbury-Schweppes, STC and IBM. Individual teams have also made visits on their own account to such organisations as Midland Bank, Taylor Woodrow and the Scottish Widows' Life Assurance Society.

As you suggest, these visits have proved very worthwhile in providing the teams with a valuable insight into the personnel practices adopted in a number of private sector bodies. We are currently analysing the results which will, I am sure, have an important influence on the final recommendations.

You very kindly offered to suggest some private sector bodies which would be suitable for drawing comparisons. The time at our disposal is now very limited, since the departmental teams are due to report by the end of the year and the central team by Easter. But I would be most interested to have your suggestions and if I possibly can I will make some time available, if necessary other than that of the central team which is now working very hard on the Report, to visit additional firms.

I am copying this letter to Arthur Cockfield and Barney Hayhoe.

Janice
Parsons

Ref as below



JU207
Secretary of State for Industry

JB
45

THE PARLIAMENT OF GREAT BRITAIN

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212
SWITCHBOARD 01-212 76301

3-7 November 1982

Baroness Young
Management & Personnel Office
Whitehall
London SW1A 2AZ

LORD PRIVY SEAL
Action! Mr Gurney
PS - Perm. Sec. (C)
PS - Perm. Sec.
PS - Second Perm. Sec. (103) ✓
Mr Froyer Mrs Sloman Mr Priestley Mr Davie Miss Bacon Mr Phillips A V M Lock

Dear Janet,

STAFF SAVINGS

Thank you for your letter of 4 November commenting on my letter of 25 October to Leon Brittan about staff savings. Barney Hayhoe has now replied to that letter.

2 I am most grateful for your assurances about redundancies and for the offer of assistance by the Staff Transfers Unit. The examination of the security standards required in different buildings may also provide an extra degree of flexibility in our dealings with the difficult problem of staff reductions.

3 Messengers were not included in the examples I quoted in the third paragraph of my letter as these were services which might be contracted out and this is not contemplated for the messenger service. We already have plans for a 26% reduction in messengers between 1 April 1979 and 1 April 1984. Now we are carrying out a fundamental review of the form of our messenger services to see what further savings might be possible. However, in small buildings there is a basic and irreducible requirement for messengers and hence the lower level of manning which is possible in larger buildings cannot be achieved uniformly across the Departments. Our policy, therefore, which we are pursuing vigorously with the PSA, is to concentrate the Department's activities in as few buildings as possible. From this additional savings in messengers may flow.

4 I accept that it is difficult to make comparisons of the numbers involved in personnel management in the Civil Service and in the private sector. This is but one facet of the larger problem of making efficiency comparisons between the Service and outside bodies. Nevertheless, I believe it would be worthwhile in this context to look at the practices of the private sector, and that this should be done as part of the study you are currently undertaking. I would be happy to suggest suitable private sector bodies for this purpose if that would be of assistance.



5 I am copying this letter to Arthur Cockfield and Barney Hayhoe.

Your ever
Patrice



Management and Personnel Office

Whitehall London SW1A 2AZ

Telephone 01-273 } 4400
GTN 273 }

4 November 1982

The Rt Hon Patrick Jenkin, MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

C- PS / Perm Sec
PS / 2nd Perm Sec
Mr Fraser
Mr Lock
Mr Priestley
Mrs Sloman
Mr Davie
Mr Gurney
Mr Tobias
Mr Phillips

Dear Patrick,

STAFF SAVINGS

Thank you for sending me a copy of your letter of 25 October to Leon Brittan. My responsibilities cover some of the Service-wide policies to which you refer, both in supporting services and on personnel work.

Supporting Services

I am grateful for the early warning of the possibility of opposition from the unions nationally over unavoidable redundancies in your department. It is important in this sort of case to make sure that we follow the procedures closely; this will help smooth the implementation of staff savings in your department and elsewhere.

In particular it may be premature to assume that compulsory redundancies will turn out to be necessary. For, like other employers, we have to seek posts elsewhere for people displaced by these measures. If, as you imply, this cannot be done within the Department of Industry, then the surplus staff should be offered to the Staff Transfers Unit in the MPO for absorption by other departments if possible. I would be grateful if your officials could let Mr J J Tobias here know of the likely numbers and grades of those affected so that the necessary central action can be set in hand.

The security guarding of buildings is indeed subject to some constraints. In particular commercial firms have not in the past been regarded as suitable for guarding duties where classified material is being protected. I too consider that the blanket prohibition needs to be challenged, not least because the standards required must vary considerably from building to building. I am therefore having the matter examined in detail urgently.

I notice that you did not list messengers among the supporting services you have looked at rigorously. I understand that, following a study carried out by a joint DI/CSD team in late 1979, some economies have been made but that the complement may still be some 70 posts above that indicated by the results of the study (and verified by a second study of one area). The techniques used have been tried and tested in many other departments and the recommendations for the Department of Industry were very much in line with the type of findings which other departments (including mine) have succeeded in implementing. I am sure you will agree that potential savings of this magnitude are worth another look now. They are for instance more than your net estimate for OFTEL, whose staffing will of course depend on detailed decisions on the most efficient way of carrying out the necessary functions.

Personnel Work

You also raised the important (and related) questions of whether the Civil Service is over-provided with personnel management staff and whether there is a tendency towards too much centralisation and uniformity. As you know personnel work is being thoroughly examined as a major element of this year's efficiency programme. The fieldwork is still in progress and it is too early to draw any final conclusions. Nine departments (but not yours) are participating. However a central team here will draw out general lessons for the Civil Service as a whole, and I am confident that these will be substantial and throw light on your points.

We have been trying to obtain, and learn from, the experience and best practice of other employers, particularly in the private sector. But our experience has so far been disappointing: quite apart from problems of definition, it is exceptionally difficult to use the comparison of numbers you suggest. The Institute of Personnel Management and the Industrial Society have tried independently to measure personnel work in this way and abandoned the attempt. The numbers directly and visibly engaged on personnel work are closely influenced by highly variable factors such as the nature of the business, the structure of the organisation, the quality of labour, the degree of supervision, the degree of line management involvement in staff management and even the philosophy of the employer. But I would be interested to see any relevant details that you have.

I am copying this letter to Leon Brittan and Arthur Cockfield.

Yours ever
Paul

BARONESS YOUNG



MANAGEMENT IN CONFIDENCE

BF 2/11

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

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JU17

Secretary of State for Industry

25 October 1982

LORD FRAY SEAL	
Action	Mr Gurney
PS - Mr. [unclear] (C)	
PS - [unclear]	
PS - Second Perm. Sec. (DB) ✓	
Mr Fraser AVM Lock Mr Priestley Mrs Sleoman Miss Bacon Mr Dane Mr A Phillips	

for draft by
Tues. 2/11
please
DB 25/10

The Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Parliament Street
London SW1P 3AG

Dear Leon,

I and my Department are finding great difficulty in making the staff savings needed to meet our manpower target of 7305 by 1 April 1984.

2 Since the target was set in October 1980, new requirements have arisen as a result of my policy of switching the Department's priorities and resources away from the support of lame ducks and into channels which will support and encourage the wealth-creating sectors of industry. Unfortunately from the manpower point of view, the switch of financial resources cannot be matched simultaneously by the transfer of staff, because the lame ducks continue to need a considerable degree of monitoring and to give rise to political problems, whilst the trend towards more selective support in the wealth-creating sectors is inevitably, by its nature more staff intensive. And the DOI reduction of 23% is nearly twice the reduction which is being made across the Civil Service as a whole to achieve the overall 630,000 target.

3 In an effort to keep within the manpower target while creating sufficient headroom to increase our effort in the newer areas, my fellow Ministers and I have conducted a further rigorous review of the staffing needs throughout the Department. We have looked with especial rigour at the supporting services which are provided as common services to the Department of Trade and my Department but which are all counted, according to the established convention, against my books. In order to achieve the reductions needed, we have decided to pursue amongst other things the privatisation of certain services which are traditionally provided by the Department's own staff. These include the security guarding of London buildings, some reprographic work, data preparation, systems analysis and programming work. Some redundancies will be unavoidable, and fierce opposition from the unions is to be expected. I intend to stand firm against this, but the union could well raise it as a national issue, so that you and Janet Young may become involved. I also understand that there may be some security constraints on the extent to which the security guarding of headquarters buildings can be contracted out.



4 In spite of the difficulties I referred to above, I am confident that we would, given the proposals for savings identified in our review, be able to meet our manpower target of 7305 by 1 April 1984. However, a specific new requirement has recently arisen as a result of the BT Bill for staffing the Office of Telecommunications (OFTEL) to regulate the telecommunications sector when British Telecom has been privatised. Although I expect in due course, to be able to save some posts in that part of my Department which currently deals with BT, I estimate that the consequences of the Bill and the establishment of OFTEL will be an additional net requirement of 50 staff on my Department's complement, and I can see no way of making compensating savings to offset this requirement.

5 I thus see no alternative to asking for 50 posts from the contingency reserve for OFTEL, thus claiming back part of the final speculative 100 savings offered by Keith Joseph in his letter of 2 October 1980 to Paul Channon. As he said in his letter, his intention to seek the saving of a further 100 posts, required by his acceptance of the target of 7305, was necessarily speculative. The Civil Service Department acknowledged that if, at the end of the day, it was agreed that there was some part of the 100 which really could not be saved, they would be prepared to look sympathetically at a claim on the contingency margin.

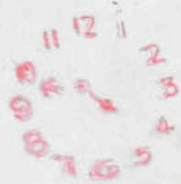
6 If my proposals for contracting out come to fruition, as I hope they will, it should be possible to achieve the other reductions needed. However, I may have to come back to you with a further claim on the contingency reserve if I find that I have insufficient headroom to cope with demands on my Department's staffing in the future.

7 On a related matter, during our recent meeting to discuss the Department's public expenditure bid, I referred to the apparent discrepancy between the numbers of staff employed on Personnel Management by private sector companies and by Government Departments. As I explained, I did not see this as a criticism of my own Department, but rather as a general phenomenon across Whitehall. I do not doubt that there are some good reasons for it including, for example, the importance attached to fair treatment by the Civil Service, but there may also be less good reasons such as a tendency towards too much centralisation and uniformity. I wonder whether this is a subject which could be looked into further by you and Janet Young.

I am copying this letter to Janet Young and Arthur Cockfield.

You are
R

27 JUL 1953



Ref. A083/2146

PRIME MINISTER

Economic Outlook and Public Expenditure

(C(83) 23-26)

BACKGROUND

On 21 July the Cabinet will, as is customary at this time of year, have its first collective discussion of the current Public Expenditure Survey against the background of an assessment by the Chancellor of the Exchequer of the prospects for the economy.

There are four papers on the agenda:

- ✓ (i) C(83) 26: the Chancellor of the Exchequer's memorandum on economic prospects.
- ✓ (ii) C(83) 23: the Chief Secretary's main memorandum on public expenditure, both in 1984-85 and the two succeeding years, and in the longer term.
- ✓ (iii) C(83) 24: a memorandum by the Chief Secretary on Civil Service numbers.
- ✓ (iv) C(83) 25: a memorandum by the Chief Secretary on contracting out and privatisation.

2. Because of the gap imposed by the General Election the usual detailed PESC Report is not yet available. But that should not hamper the Cabinet's discussion: the aim at this stage is to lay down broad guidelines and not to discuss individual programmes in detail.

Economic Prospects

3. C(83) 26 surveys the economic scene in broad terms. It sees some encouraging developments on prices and on unemployment, but draws attention to the risks, particularly on the overseas front because of the high budget deficit in the United States. On the domestic side, it recalls the recent disturbing trends in the money supply, public expenditure and borrowing which lay behind the measures announced on 7 July. It implies that the modest fiscal adjustment of £½ billion in 1984-85 foreshadowed in this year's

Financial Statement and Budget Report is at risk. The highest level of public expenditure that can be afforded is that published in this year's Public Expenditure White Paper (Cmnd 8789). Even then there will be a risk that taxes may still have to be put up next year.

Public Expenditure: Current Survey

4. C(83) 23 has two main sets of proposals: one set for the current survey period and one for the longer term. The main figures relevant to the survey period are as follows.

	<u>£ billion</u>		
	<u>1984-85</u>	<u>1985-86</u>	<u>1986-87</u>
<u>Cmnd 8789</u>			
Programmes	125.3	130.4	
Planning reserve	3.0	3.0	
Net sales of assets	-1.5	-0.5	
Other adjustments	<u>-0.4</u>	<u>-0.7</u>	
Planning total	<u>126.4</u>	<u>132.3</u>	
Survey baseline for 1986-87			137.5
Change on previous year	5.8%	4.7%	4.0%
<u>1983 Survey</u>			
Agreed changes*	0.7	1.1	
Departmental bids	<u>5.4</u>	<u>5.8</u>	<u>7.0</u>
Prospective addition to planning total/baseline	<u>6.1</u>	<u>6.9</u>	<u>7.0</u>

*Mainly due to changed economic assumptions.

5. The Chief Secretary proposes that his objective in the bilateral discussions with spending Ministers which customarily lead up to final decisions by the Cabinet in the autumn should be to hold to the published planning totals for 1984-85 and 1985-86 and to keep the total at approximately the same real level in 1986-87: I understand that this implies a planning total in 1986-87 of £140.3 billion.

6. The Chief Secretary proposes to maintain the planning reserve (also XXXXXXXXXX referred to as the "contingency reserve" -

see paragraph 11 below) at £3 billion rather than, as in recent surveys, to draw it down in order to meet agreed additional bids. He also indicates that unavoidable bids in 1984-85 are likely to total £2½ billion. I understand that this is made up as follows.

	<u>£ billion</u>
Agreed changes	0.7
Local authority current expenditure	0.5
Social security	0.2
Defence	
Price increases	0.1
1983 AFPRB award	0.1
NHS: 1983 DDRB award and family practitioner service	0.2
Agricultural price support	0.4
Other	<u>0.3</u>
	<u>2.5</u>

Flag A. It follows that to get back to the planning figure for 1984-85, not only must the whole of the remaining bids be rejected, but also a net £2½ billion of savings must be found. At its meeting on 14 July the Ministerial Sub-Committee on Economic Affairs (E(A)) agreed to aim for savings of about £1 billion on the external financing requirements of the nationalised industries (ie that the industries' bids for an additional £½ billion of external finance should be rejected and that, in addition, reductions below the baseline of £½ billion should be secured). But even if that should prove realistically attainable, it will leave £1½ billion to come from Departmental programmes. The Chief Secretary considers that similar reductions are required in the remaining years of the survey.

Public Expenditure: Longer Term

7. The Chief Secretary also draws attention to the threat to the Government's tax objectives in the longer term presented by high levels of public expenditure. A combination of 2½ per cent a year economic growth and holding public expenditure constant in real terms to 1988-89 - ie extending the Chief Secretary's proposals for the survey period to the end of the maximum life of the present Parliament - would still leave the ratio of taxation to gross

domestic product above the level of 1978-79. The Chief Secretary proposes that the Cabinet should endorse a target of holding total public expenditure constant in real terms up to 1988-89. He would then circulate in September a set of programme figures constructed on the basis of this target for discussion by the Cabinet. The programme figures, as amended in the light of that discussion, would then inform the remaining stages of the survey. The beginning of a new Parliament is clearly a good time for establishing a trend for public expenditure beyond the short term.

Civil Service Numbers

8. C(83) 24 refers back to the Cabinet discussion of last December (CC(82) 53rd Conclusions, Minute 8), when it was agreed to identify and quantify the scope for reducing Civil Service manpower between 1984 and 1988. It reports that there is already a fair prospect of reducing the size of the Civil Service to 605,000 by 1 April 1988 (although this depends critically on the hiving-off of the Royal Ordnance Factories), and proposes that one of the aims in the bilateral discussions of public expenditure between now and the autumn should be to identify further savings, with the aim of at least getting below 600,000.

Contracting Out and Privatisation

9. C(83) 25 is essentially a progress report coupled with a general request to members of the Cabinet to keep up the pressure to reduce the size of the public sector. It proposes a further report in a year's time.

MAIN ISSUES

10. The main issues before the Cabinet arise on C(83) 23. They are:

- (i) Does the Cabinet endorse the Chief Secretary's proposed aims for the current Public Expenditure Survey?
- (ii) Does the Cabinet agree with the Chief Secretary's proposals for handling longer-term prospects?

Although they should require less extensive discussion, you will also wish the Cabinet to consider:

- (iii) Are the Chief Secretary's proposals on Civil Service numbers, and contracting out and privatisation, acceptable?

The Public Expenditure Survey

11. It seems unlikely that many members of the Cabinet will argue that the Government should now abandon the aim of holding to the published planning figures for 1984-85 and 1985-86, or should plan for large real increases in expenditure in 1986-87. The main points likely to be raised in discussion are probably the following:

Economic Prospects. Some members of the Cabinet may express surprise that the improved prospects for output and inflation should not have more favourable effects on the prospects for public expenditure. In isolation, they are obviously beneficial. But they need to be weighed against other, less favourable factors such as less buoyant revenue, to which the Chancellor draws attention in C(83) 26. And experience this year shows the vulnerability of economic forecasts and the importance of caution in managing public expenditure.

Pay. It may be argued that if the Government sets, and can adhere to, a low public service pay factor for 1984-85, the prospects for public expenditure will be easier. That will be a matter for discussion and decision in September. But although the pay factor may influence the level of public service settlements, it does not determine them. In any case this should not be allowed to distract discussions from the immediate question before the Cabinet, which is the overall objective of the survey.

Contingency Reserve. It is likely to be argued that a contingency reserve of £3 billion is excessive. Cmd 8789 said that the reserve of £2.5 billion in 1981-82 and £2.4 billion in 1982-83 were "unnecessarily large"; and although this year's reserve of £1.5 billion is tight, there are no signs yet that it is likely to be overspent. The argument is partly a matter of terminology. Strictly speaking, the contingency reserve for a financial year current or immediately in prospect is a control device. Only increases

in expenditure which are within the control of Ministers are charged against it: overruns on demand-determined programmes or overspending by local authorities, for example, are not so charged. The Chief Secretary is effectively arguing for a £3 billion reserve in a broader sense: a safety margin against all forms of excess expenditure. Not only are there the inevitable uncertainties about demand-determined expenditure. There are also items - such as our contribution to the European Community and local authority current expenditure - for which the figures eventually published are likely to represent what the Government wants to happen rather than a central estimate of what will happen. Again, the scheme of end-year flexibility which the Cabinet approved on 7 July will tend to increase expenditure in 1984-85 and later years. All these are arguments for a substantial "contingency reserve" in the broader sense mentioned above.

Sales of Assets. It may be suggested that sales of assets should be increased. But the published plans already take credit for significant sales. More sales, even if they could be achieved, would not affect the long-term balance between expenditure, revenue and borrowing. Even the Chancellor's announcement on 7 July that the Government was planning an extra £500 million of disposals in the current financial year attracted unfavourable comment in the media.

Years after 1984-85. The Chief Secretary says that reductions of "at least the same order" will be required in 1985-86 and 1986-87 as in 1984-85. But that is not immediately apparent from the figures. Agreed changes in 1985-86 total only £1.1 billion; and the Treasury have not indicated at official level that they regard any significant part of the Departmental bids of £5.8 billion in 1985-86 and £7.0 billion in 1986-87 as unavoidable. Moreover, E(A) agreed to seek about £1 billion savings from the nationalised industries in each year. It may therefore be argued that it is unnecessary to do more in respect of Departmental programmes than to require the withdrawal of additional bids. It will be for the Chief Secretary to defend his proposals in detail. But if there is dispute it

will probably be best to concentrate on the need to agree on measures which give reasonable assurance that the overall totals approved by the Cabinet can be delivered.

Public Expenditure in the Longer Term

12. In discussion of the longer term you will wish to avoid at this stage any major dispute on specific issues of substance (for example, over the scope for real growth in defence expenditure or the future of the Health Service). At this stage the Cabinet are being asked merely to agree in principle to work towards an overall expenditure target for 1988-89. There will be opportunities in the autumn to discuss the Chief Secretary's projections and to confront the difficult issues about priorities which may arise.

13. There may be pressure for "alternative assumptions" to be used. Some Ministers may argue that the assumptions suggested by the Chief Secretary are pessimistic and that more optimistic assumptions should be taken. The Chief Secretary is likely to point out that, judging by the experience of recent years, economic growth of 2½ per cent a year would be an above-average performance; and that, even on that basis, he does not envisage getting the relevant tax burden down to the level of 1978-79. There might indeed be a case for inviting the Chief Secretary to explore alternative scenarios (though the number of them would obviously need to be strictly limited) biased towards less favourable economic assumptions, and with more ambitious targets for reducing taxation.

Civil Service Numbers

14. It is unlikely that there will be any substantial disagreement with the proposals in C(83) 24. The Chief Secretary is merely asking for "rather larger reductions than those so far on offer" with the aim of bringing the total some way below 600,000. He will be pursuing these matters in his bilaterals.

15. Pressure on numbers focuses Departments on improving management (and the scrutinies show there is still scope for reduction). A figure of around 600,000 comes out of the survey of Departments. Over four years that would be an average of 1.2 per cent per annum. That is perhaps a realistic figure, given the reductions that will already have been achieved. But it is

relatively modest - particularly given that it includes the hiving-off of the Royal Ordnance Factories, which accounts for part of the reduced numbers. If we are not going to set a lower target, we shall need to keep up and even step up the other pressures for improving efficiency and productivity in the Civil Service.

Contracting Out and Privatisation

16. Again, there is unlikely to be much disagreement with the proposals in C(83) 25. The Chief Secretary is seeking only the Cabinet's endorsement for maintaining the effort. You will probably wish to underline the political importance of continuing to make progress.

17. Reductions in Civil Service numbers are likely to require some measures of "hiving-off". A Community Directive (on "Acquired Rights") appears to impose constraints on staff savings during certain types of "hiving-off". It may be suggested that these constraints may be a serious obstacle to reducing staff numbers at an acceptable cost. You will not wish to pursue this point in detail: the Chief Secretary is already considering the scope and effect of the Directive.

HANDLING

18. You will wish to invite the Chancellor of the Exchequer to open the discussion by describing the economic background and prospects and the Chief Secretary, Treasury, to follow this up with a more detailed account of his proposals on public expenditure. All members of the Cabinet will wish to contribute to the subsequent discussion.

CONCLUSIONS

19. You will wish the Cabinet to reach conclusions on the following.

- (i) Does the Cabinet endorse the Chief Secretary's proposals for the current Public Expenditure Survey on:
 - (a) the public expenditure totals and therefore the savings to be found;
 - (b) taking the survey forward by the customary process of bilateral meetings and a report to the Cabinet in the autumn?

- (ii) Does the Cabinet endorse the Chief Secretary's proposals:
 - (a) on the longer-term aims for public expenditure;
 - (b) for a discussion of this in September which would, among other things, set a framework for the proposed bilaterals?
- (iii) Does the Cabinet endorse the proposals in paragraph 9 of C(83) 24 on Civil Service numbers?
- (iv) Does the Cabinet endorse the proposals in paragraph 10 of C(83) 25 on contracting out and privatisation?

20. If so, the Cabinet will need to authorise the Chief Secretary to proceed with his discussions of public expenditure and manpower accordingly.

~~ROBERT ARMSTRONG~~

ROBERT ARMSTRONG

20 July 1983



10 DOWNING STREET

From the Private Secretary

18 July 1983

BF || This is to confirm that the Prime Minister has now seen your Secretary of State's minute of 15 July about personnel work in the Civil Service. She would be pleased to discuss the questions raised by Mr. Jenkin, but before she does so she has asked for comments from Lord Gowrie and Sir Robert Armstrong. I shall be in touch to arrange a time for discussion on Monday 1 August.

Timothy Flesher

John Ballard, Esq.,
Department of the Environment.



10 DOWNING STREET

From the Private Secretary

18 July 1983

As I mentioned, the Prime Minister has received the attached minute from the Secretary of State for the Environment about the scale of effort put into personnel work in the Civil Service as compared with organisations in the private sector of comparable size. Mr. Jenkin proposes that two or three senior managers from the private sector should be asked to look at the scale of Civil Service personnel management. The Prime Minister would like to discuss Mr. Jenkin's minute with him and with Lord Gowrie but before she does so she would be grateful for Lord Gowrie's comments on Mr. Jenkin's minute together with those of Sir Robert Armstrong. She would also be grateful to see the correspondence between Mr. Jenkin and Lady Young to which Mr. Jenkin refers in his minute.

bf² Could I ask for comments by Friday 29 July please with a view to a meeting sometime on 1 August. I shall be in touch to arrange a time shortly.

I am sending a copy of this letter together with Mr. Jenkin's minute to Richard Hatfield (Cabinet Office).

Timothy Flesher

Mrs. Mary Brown,
Office of the Minister for the Arts.

PRIME MINISTER

Attached is a minute by the Secretary of State for the Environment about Personnel Work in the Civil Service. He argues that his experience in the Department of Industry suggests that the Civil Service devotes more resources to personnel management than private sector organisations of comparable size. He proposes that we should invite two or three senior managers from the private sector to look at Civil Service personnel management to compare it with their own experience.

You will recall, of course, that there has recently been a major review of personnel work in the Civil Service conducted with the help of the Rayner Unit and Lord Gowrie is now publishing that review. To undertake a further review might be over-doing matters. On the other hand, Mr. Jenkin could well have a point. Do you agree that we should invite Lord Gowrie and Sir Robert Armstrong to comment on Mr. Jenkin's minute with a view perhaps to a discussion some time in the Recess.

✓

Yes - we will
get Patricia
Jenkins in to
talk about it
ms

15 July, 1983



PRIME MINISTER

PERSONNEL WORK IN THE CIVIL SERVICE

Before the Election I was following, and participating in, the correspondence with Janet Young in her then capacity as Lord Privy Seal about her proposals for the MPO's immediate priorities on personnel work.

The main point which I was seeking to make to her was that some preliminary inquiries which we had carried out in the Department of Industry had suggested that there is a gross disparity in the number of people employed in personnel work in the Civil Service compared with similar private sector organisations. There can be room for argument about the size of the disparity, but I believe there can be none about the principle. The Civil Service commits more resources to its personnel management than private sector organisations of a comparable size. John McGregor made some inquiries of major industrial companies, banks and one or two other organisations.

The figures were striking and I sent the results of these to Janet Young.

I am sorry to say that it proved quite impossible to persuade the MPO to treat this as a matter requiring serious investigation. As a result, because there was a limit to the extent to which any one single department could move independently of Whitehall as a whole, although we made some significant staff reductions in the DOI/DOT common services, we found ourselves continually forced to cut back on front line troops in order to meet our staff targets.

I have not of course had time to investigate the position in detail in this Department; but I have no doubt I shall find the same picture.

MANAGEMENT IN CONFIDENCE

The problem seems to me that over the years staff management policies in the civil service have become ever more elaborate, the regulations grind ever smaller and smaller, and the number of staff required to administer the system becomes wholly disproportionate to the size of the civil service as a whole.

Grey Gowrie has now announced plans to develop personnel policies still further - no doubt in itself a desirable and worthwhile objective. It must however add to personnel management work when any evidence suggests that the Civil Service already has more people engaged in this than outside organisations have.

I recognise that superficial comparisons can be misleading. But if I am right in my view that there is a significant disparity between the scale of personnel management resources used in the Service and those in the private sector I think we should at least establish the reasons, and then decide whether the disparity is justified.

I would like to suggest that we should consider inviting two or three senior managers from the private sector, with the direct experience of the management of a number of major organisations, to have a look at the broad shape of the civil service personnel management effort and to advise us on how it compares with their experience. Depending on their conclusions we might then feel the need to set up a major interdepartmental Rayner Study to establish what changes in the scale of effort can be made.

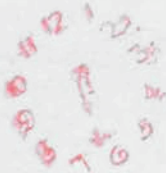
Might I suggest that you ask, in the first instance, to see the correspondence which I was having with Janet Young before the Election (it stretches back over some months) and then perhaps I could have a word with you.

P J

(approved by the Secretary of State
and signed in his absence)

Govt Mach.
Payne, P. 14

4 JUL 1983



condemner



jc nk

bc WFSR

10 DOWNING STREET

From the Private Secretary

11 July 1983

The Prime Minister has seen the attached extract from Schroders Economic Perspective which was published on 4 July.

The Prime Minister has enquired whether she can make use of the argument that the growth in bank borrowing by unincorporated businesses and the establishment of a venture capital industry in the UK, support the conclusion in the Schroder extract.

I would be grateful for any other comments you may have on this paragraph, if possible before noon tomorrow.

M. C. SCHOLAR

T.J. Cassidy, Esq.,
Department of Trade and Industry.



Schroders

J. Henry Schroder Wagg & Co. Limited

Economic Perspective

Summer 1983

The UK Short Term Outlook

Sterling below \$1.60 remains competitive, despite the election outcome. Continuing strong demand at home and growing demand throughout the industrial world can therefore be expected to result in increasing U.K. domestic output. Although much of the growth in demand in the U.K. is currently being satisfied by imports, business confidence is gaining and capital investment should therefore respond strongly as the recovery develops.

Leading indicators for most major industrial nations are now signalling that the recovery is gathering steam, but this will be offset to some extent by import restraint by developing countries.

In the United States, stock adjusted final demand continues to grow at around 3% p.a. — far below the average rate for the first year of recovery from recession. This may well produce, as a policy response, an attempt to bring down short term interest rates further; but, against a background of the unresolved budget deficit problem, this will not be easy to achieve. With the dollar already overvalued and the current account deficit deteriorating, some decline in the dollar can in any event be expected at some stage over the next twelve months. Any attempt to force down interest rates could of course precipitate this. Some fall in the dollar, however, would not be unwelcome to the Administration. Such developments would allow a more relaxed monetary policy in Germany and Japan, and provide an added impetus to

growth in 1984, as well as removing one barrier to interest rate declines in the U.K.

The U.K. government continues, however, to be committed to paying some heed to monetary aggregates and rapid growth here could deter interest rate cuts even if sterling were to become dangerously uncompetitive again. In fact, the behaviour of the government, the personal and the corporate sectors are all likely to lead to slower monetary growth over the next year.

Government spending has been above expectations in the last few months. This represents in part the effectiveness of attempts to compensate for undershooting earlier last fiscal year and in part reluctance to tighten up before the election. From now on, however, the preferred strategy of an accommodative monetary policy and tight fiscal policy that is embodied in the MTFIS is likely to be strictly adhered to, now that its author is installed as Chancellor.

The personal sector is expected to moderate its recourse to the credit market. Consumers are now over extended in terms of debt-to-income and debt-to-wealth ratios, at a time when positive real interest rates should encourage saving. Falling longer term inflation expectations and the level of unemployment are likely to restrict average earnings increases to 7% or less, putting pressure on personal incomes over the coming year (at the moment earnings are rising some 4% faster than prices). As the option of extending debt will no longer be attractive, real consumption is likely to stabilise, or possibly fall, over this period.

The corporate sector is likely to be only a moderate borrower in the upturn, not because of the level of real interest rates but because low wage settlements and an increasing share of growing markets will create sufficient profits to fund the expected increase in fixed investment (which could rise by over 10% in 1984 in response to a strong recovery and financial stability).

If international and domestic developments do conspire to allow the government to push down interest rates and maintain a stable exchange rate, the scene should be set for growth exceeding 3% in 1984. So far it does not appear that such growth will damage inflation prospects: unit labour costs — 60% of costs — are rising at less than 4% a year, while neither oil nor commodity prices are set to follow the inflationary pattern of earlier cycles. Moreover if real growth is over 3% from the latter half of this year, even monetary growth of 11% would not be inconsistent with an inflationary cycle peaking below 7% as positive real interest rates would continue to encourage savings and absorb excess money.

Recent Market Movements

April and May saw sterling more than recover the ground lost in the first quarter, rising over 10% on a trade weighted basis. This was principally the result of the oil price stabilising, and then of growing confidence that the Conservatives would win the June election. By the end of June sterling had slipped again slightly, being unchanged over the six months.

Sterling's recovery made possible two half point cuts in the banks' base rate and improved the prospects for inflation. Nevertheless yields on long dated gilts barely improved. It was U.K. equities which produced the best return with the FT-All Share Index estimated (with the Financial Times still strikebound) to be up 11.3% over the quarter.

Despite a slight rise in short term interest rates, U.S. equities made further progress in response to the stronger than expected economic recovery. However, the gain in sterling terms was pared to 6.3%, while a more modest advance in Japan was similarly reduced for U.K. investors to 3.4%.

Outlook

Corporate profits in most major economies appear set to rise at significant real rates through 1983 and 1984. In the U.K. this would seem to be already largely discounted in current share prices. In the short term a flow of rights issues may hold back a further advance, unless this is outweighed by foreign buying in the wake of the election.

With only a very modest upturn in inflation in prospect, 11% yields on long gilts appear quite attractive.

Index-linked gilts are currently friendless against a background of five more years of Conservative Government, however as yields edge above 3% there is much less likelihood of further issues and the downside risk should be very small.

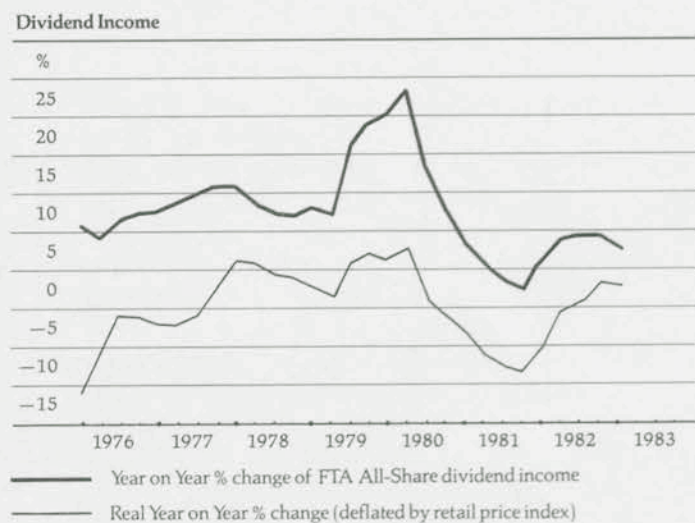
The property market is gradually improving and now offers relatively attractive yields (see chart).

Overseas

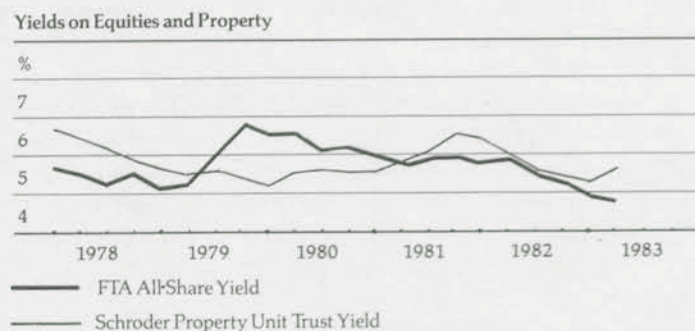
The continuing high U.S. interest rates, resulting from the excessive budget deficit are likely to pose some restraining influence on markets generally and in the U.S. in particular. When also considering the relative expensiveness of the dollar against the yen and deutschemark, some shift of emphasis from the U.S. to Japan and Germany would now seem appropriate.

Gross total returns					
%	1980	1981	1982	1983Q1	1983Q2
F.T.A. All-Share Index	+35.2	+13.6	+29.1	+ 9.1	+12.5*
F.T. Govt. Secs. over 15 years	+21.4	+ 1.5	+54.0	+ 3.2	+ 6.2*
Schroder Property Unit Trust	+21.1	+19.1	+ 8.8	+ 3.4	+ 1.4
S&P Composite Index	+23.0	+18.9	+43.7	+19.9	+ 7.5
Tokyo New S.E. Index	+18.8	+36.1	+15.6	+11.9	+ 3.8

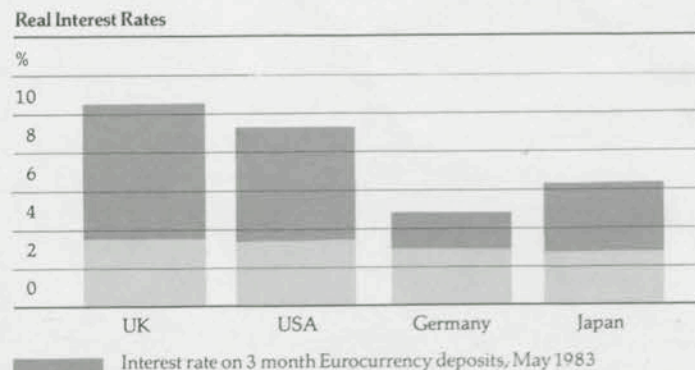
*Estimated



Since the second half of 1982 UK dividends are once again increasing in real terms; we expect this trend to continue through 1984.



There has been a major change over the last 18 months in the relative yields of UK equities and property.



Continuing high real interest rates are an important factor in restraining the speed of the economic recovery.

Prospects for Tax Cuts 1983-8

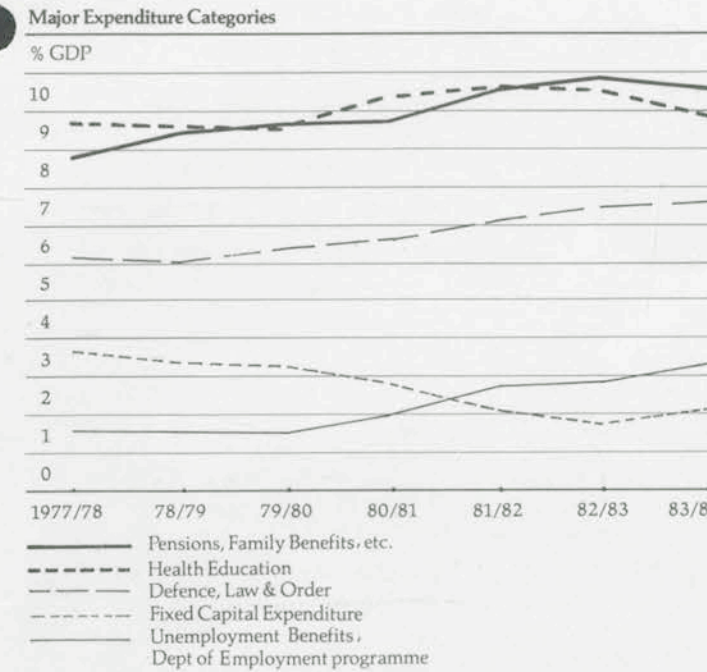
The major achievement of Mrs. Thatcher's first administration was to reduce inflation to under 5%. Her second administration, while being determined "to bring inflation lower still," will wish to concentrate upon the reduction of the role of the state, and the easing of the tax burden. This is the one major objective of the 1979 manifesto that has not been achieved — public expenditure has risen from 40½% of national income in 1978/79 to 44½% in 1982/3.

Most of the projections produced by forecasting models in advance of the election predict that over the next five years growth will average 1½-2% a year, assuming that government policy is restrictive enough to contain inflation to present levels. At these rates of growth, unemployment will stay high and government spending will fall very little as a proportion of GDP — allowing declines in borrowing in line with the MTF5 but little in the way of tax cuts. If the government is not to return to the electorate in five years with its only achievement a further cut in the public sector borrowing requirement, it will either have to cut public expenditure commitments or engender substantially higher growth than is widely expected.

The trouble is, as the government has discovered over the last four years, it is not easy to cut expenditure. The government is committed to maintaining standards of care in education, health and social security, while increasing real expenditure on defence and law and order. Spending on these categories has risen from 63.8% of public expenditure in 1979/80 to 68.7% in 1982/3. There is no reason to believe that the government will be any more effective in cutting expenditure in these areas in the second term. It may be possible to achieve efficiency gains in the health service and in local authority services by tendering services to private contractors but the gains from this process are unlikely to be substantial. Pensions and family benefits absorb some 10% of GDP and it is difficult to see how savings can be made here. Defence expenditure is scheduled to increase by 3% p.a. in real terms even without the substantial Falklands commitment.

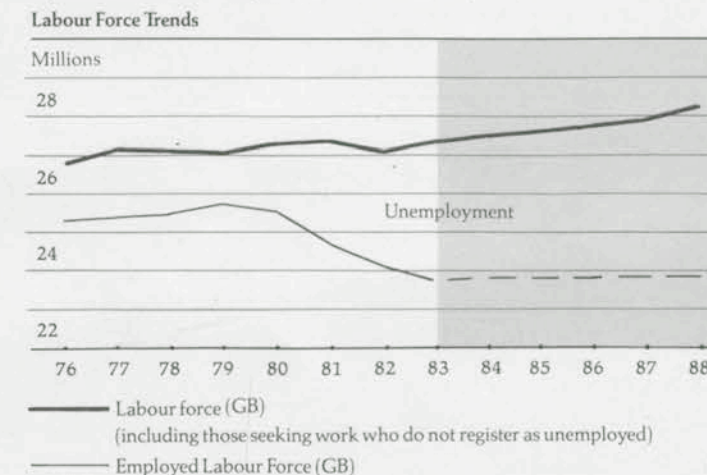
Developments in two areas considerably reduced the impact of rising current expenditure upon the taxpayer over the last four years: capital expenditure was cut dramatically, and oil revenues rose by some £6 billion. Capital expenditure cannot be cut further; indeed, if one of the ultimate objectives is growth, then any further deterioration of the country's infrastructure is likely to prove counterproductive. The government has acknowledged this by its plans to increase public sector gross fixed capital formation by 22% in 1983/84.

Oil revenues will rise further in the next two years but then decline and return to current levels by 1988. Although oil revenues are thus fairly neutral for this term, they will fall off rapidly after the next election. In recognition of this, exploration incentives were included in the 1983 budget, but the North Sea is now a mature oil area, and new discoveries are unlikely to be substantial. (The discovery to production lag will ensure, in any case, that no new discoveries will be of importance over the next five years).



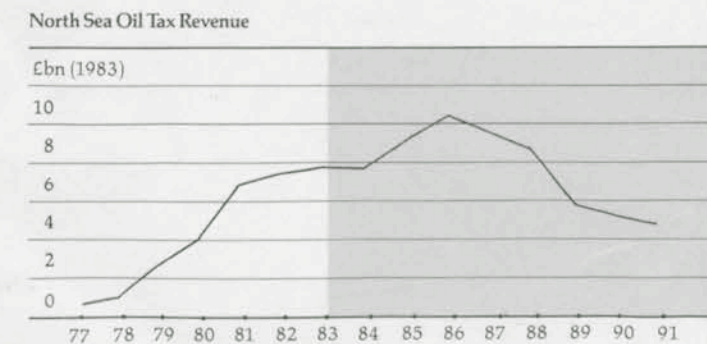
Source: Expenditure White Paper Cmnd. 8789

As GDP has fallen the proportional burden of most expenditure programmes has risen, but the rise in defence and unemployment expenditure has been particularly dramatic. As the population has aged, savings in education expenditure have been offset by rising expenditure on health and pensions. The programme has been financed by rising taxation, falling capital expenditure, (total capital expenditure — including loans and grants — has fallen from 13.2% of public expenditure in 1978/9 to 9.8% in 1982/3) and increased oil revenues (oil revenues financed 6.7% of total expenditure in 1982/3 compared with 0.9% in 1978/9).



Source: Employment Gazette, Schroders

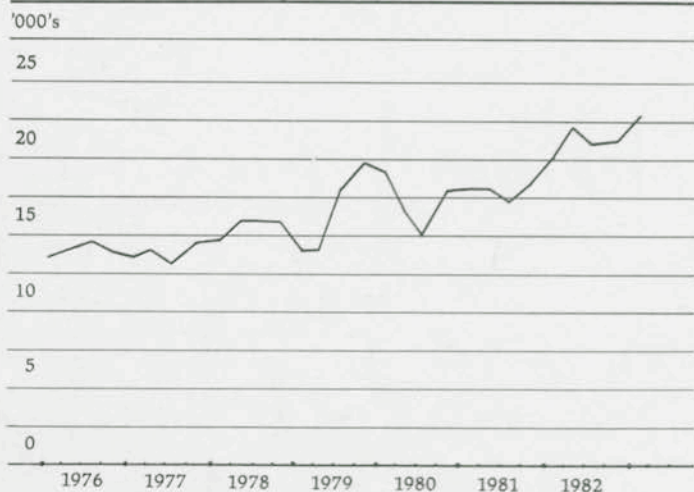
Unemployment has an impact on government spending through unemployment benefits and job subsidies, and on government revenue through taxes foregone. Altogether the cost of unemployment in 1983 is about £14 bn or 5% of GDP. Over the next five years, increases in the labour force will add ¼ million to unemployment if growth does not exceed productivity gains.



Source: Institute of Fiscal Studies, Schroders

Although oil revenues continue to rise to over £10 bn (in 1983 prices) by 1986, thereafter they tail off rapidly to under £5bn by 1991. Under these assumptions, of a constant real oil price from 1984 (£18.5/b1), however, falling oil revenues will not cause substantial problems until after the next election.

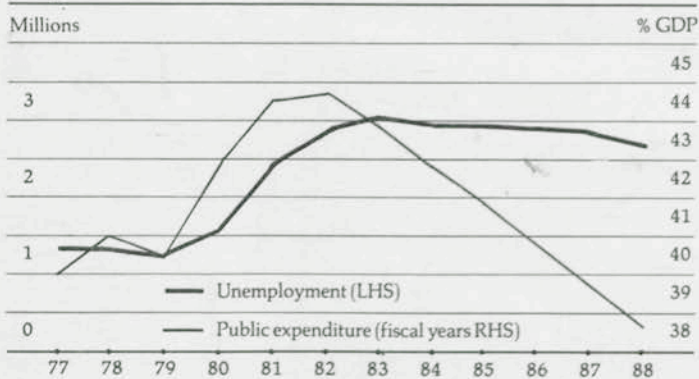
Companies Registered in GB (Quarterly)



Source: British Business

New company registrations are now running 66% above their 1976-9 average level, in spite of the recession, giving some indication that the small company policies pursued by the government are beginning to yield dividends.

3.5% growth



If the economy grows at 3.5% p.a. over the next five years, and productivity increases by 2.5% p.a., unemployment will decline by 400,000 the budget could be balanced and tax rates could be cut by 10%, even assuming that real government expenditure rises by 1% p.a.

If it is difficult to see how the government can avoid raising the real level of expenditure over the next five years, the only possible way to reduce tax rates is to increase GDP more rapidly than expenditure. Labour-intensive growth would be the most effective in reducing tax rates since expenditure on unemployment would fall as tax revenue rises. To this end the unit cost of labour has been reduced with the national insurance surcharge reductions, and by training schemes. Much more could be done: national insurance contributions could, for instance, be eliminated at the expense of capital subsidies. Labour supply has been increased at lower wage levels by measures which have reduced the ratio of the average out-of-work income to the average in-work income from 79% in 1978 to 60% in 1983. The efficiency of the labour market has been, and can be further improved by measures to increase labour mobility, such as introducing 'shortholds,' selling council houses, reducing housing subsidies and increasing the transferability of pensions (the manifesto promises to "consider how the pension rights of 'early leavers' can be better protected").

The centrepiece of the supply side growth policy of the government has been the encouragement of small businesses by means of the business expansion scheme, the loan guarantee scheme, the reduction of corporation tax, the establishment of enterprise zones and numerous other measures. That these are beginning to have a cumulative effect can be seen from the company registration statistics (see chart); from the establishment of a venture capital industry in the U.K. (only a third of the size of the U.S. industry relative to GDP — an indication of its potential); from the growth in bank borrowing by unincorporated businesses (up 36% more in 1982 than in 1981); and from the increase in self-employment (up 12% between 1979 and 1981). Growth of new companies could add appreciably to output and employment over the next five years.

If the effect of these supply side measures is added to that of the 'new realism' in British industry — which has been responsible for the unprecedented (at least in recession) productivity gains and the unexpectedly good trade performances of the last two years — there must at least be some chance that non-inflationary growth of 3-4% can be achieved. Certainly, the achievement of rapid growth appears to be the only way in which the government can secure cuts in taxation, and a reduction in unemployment. In order to attain it the government must not only be dynamic in increasing the efficiency of markets and the growth of businesses, but must also ensure that the macro economic environment — particularly regarding money supply, interest rates and the exchange rates — is congenial.

The Research Department,
J. Henry Schroder Wagg & Co. Limited,
120 Cheapside, London EC2V 6DS.
Telephone: 588 4000 Telex 885029



10 DOWNING STREET

From the Private Secretary

11 July 1983

B/E

The Prime Minister has now seen your Secretary of State's minute of 1 July about the Financial Management Initiative in the Northern Ireland Departments. Mrs. Thatcher is pleased that progress in the Northern Ireland Departments seems satisfactory but before she gives final approval to the publication of the report envisaged in paragraph 2 of your Secretary of State's minute she would be grateful to see the report itself.

I am sending copies of this to John Gieve (HM Treasury) and Mary Brown (Privy Council Office).

TIM FLESHER

John Lyon Esq
Northern Ireland Office

Prime Minister: *cf no*

The Raynes Unit advise that progress here seems to be satisfactory. They do not, however, think that you should give approval until you have seen the report to which Mr Phear refers. Agree that I should ask for the report and obtain the Raynes Unit's advice? *7/7*

Prime Minister

Yes

FINANCIAL MANAGEMENT INITIATIVE - NORTHERN IRELAND DEPARTMENTS

Background


1. When you set the Financial Management Initiative in train last May within the United Kingdom Civil Service, I instituted similar work within the Northern Ireland Civil Service. In accordance with the different constitutional and statutory arrangements which apply in Northern Ireland, the Initiative for Northern Ireland Departments is being co-ordinated by the Northern Ireland Department of Finance & Personnel as a separate and parallel exercise to that for GB, about which you minuted ministers in charge of departments on 28 June and which covered the NIO itself. The principles underlying the NI work are fully in accord with those which apply to the work in Great Britain. To ensure that maximum advantage is taken of the opportunities for read across my officials in the Department of Finance and Personnel are keeping in close touch with their colleagues in HM Treasury and the MPO.

2. The purpose of this note is to inform you of progress to date in Northern Ireland Departments and to report that, when the White Paper on the Financial Management Initiative in GB is published, I intend to publish a parallel report (not a White Paper) on the work in Northern Ireland Departments. This would be made available at both Westminster and to the NI Assembly. I would expect the latter to wish to consider the Report in some depth.

The Approach for Northern Ireland Departments

3. The approach to the Initiative in Northern Ireland has sought to take the fullest possible advantage of:-

- (a) the scale of the Northern Ireland administrative system, which facilitates communication within and between Departments;

- 
- (b) the integrated approach, through the Department of Finance and Personnel, to the planning and management of Northern Ireland's public expenditure block and civil service manpower totals as regional resources;
- (c) the fact that much of the administration of services in Northern Ireland is organised on direct drive rather than by local authorities, which allows for the development of (and indeed requires) close working relationships between NI Central Departments and their partners outside Government in the delivery of services, eg, The Department of Education for Northern Ireland with the Education and Library Boards, the DHSS (NI) with the Health and Personal Social Services Boards and DOE with the Northern Ireland Housing Executive.

4. The work has therefore been geared towards ensuring not only that individual Departments concentrate on the areas most appropriate to them, but also that the opportunities for sharing of experience and implementation of best practice are maximised.

Progress to Date

5. The Initiative in Northern Ireland Departments has now progressed to a stage where the Department of Finance & Personnel (for the NI system at large) and the Northern Ireland Departments individually have prepared plans for developing the management of both administrative resources and programme expenditure, for improving management information systems (including realistic programmes for computerisation) and for improving and supplementing the existing measures of input/output and performance.

6. The activities and projects covered by the plans will be ordered in terms of priority and have appropriate timescales for implementation associated with them. My objective is to ensure that lasting and worthwhile improvements are achieved and this requires the setting of attainable interim and medium term goals.

Publication

7. I suggest that the Northern Ireland FMI publication should be announced by way of response to an arranged PQ, timed to coincide with the emergence of the HMT/MPO White Paper. I am satisfied that the work undertaken in Northern Ireland so far would allow this to be achieved.

8. I am copying this note to the Chief Secretary and to Lord Gowrie.

J.P.

1 July 1983

Civil Service,
Long Term Pt 13



104 JUL 1988



bc N.O. DA

cc CO.

10 DOWNING STREET

From the Private Secretary

1 July 1983

Civil Service Numbers After 1984

The Prime Minister was grateful for the Chief Secretary's minute of 27 June, about Civil Service manpower.

She agrees that the Chief Secretary should put a paper on manpower to Cabinet on 21 July, as proposed in his minute.

M. C. SCHOLAR

John Gieve, Esq.,
Chief Secretary's Office.

CONFIDENTIAL

FCS OR

cc Ops
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Top copy to HO

cc: CO
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Min for Arts, PCO
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CDL
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LPSO
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MAFF
MOD
L Pres of
NIQ
DES
HMT
LCO
FCO
D / Trade

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. 8 / 83

MINISTERS IN CHARGE OF DEPARTMENTS

IMPROVING FINANCIAL MANAGEMENT

Before the Election, the then Chief Secretary sent me a report on the Financial Management initiative. His minute of 9 May, copied to all Ministers in charge of Departments, assesses the response which departments have made to my minute of 17 May 1982.

The report is encouraging. Much energy and hard work have clearly been put into this important operation, and a good foundation has been laid. Please convey my appreciation to those who have been responsible.

As Leon Brittan pointed out, this stage is the beginning of a long haul. While it is being worked through, there is a risk that other, more immediate problems may distract attention and distort priorities. The Minister in charge of each department has a crucial part to play in ensuring that the impetus is kept up. I ask those Ministers who have newly taken over their departments to make themselves familiar with what is planned, and all colleagues to give their continuing personal attention to ensuring good progress over the next twelve months. As proposed in Leon Brittan's report, I shall ask for a further progress report in the summer of 1984.

The report also draws attention to the importance of devoting skilled manpower to carry through the plans effectively and quickly, and ensuring that managers both understand what is required of them and receive the necessary training. I agree that these matters are crucial. So, too, is the need to ensure

/ that SH

that the flow of financial and management information is accurate, timely and properly organised to help the taking of the necessary decisions, both departmentally and for the Government as a whole. The next progress report should deal fully with what has been done on these aspects. It should also report the costs of implementation, where these are separately identifiable.

We have undertaken to publish a White Paper on the progress so far. The Chief Secretary will circulate a draft shortly.

Copies of this minute have gone to all Ministers in charge of Departments and to the Chief Secretary, the Minister of State, Privy Council Office and Sir Robert Armstrong.

Nargant Thakker

28 June 1983



CC ✓
①
Prime Minister

PRIME MINISTER

Yes Mr.

Agree (a) - (c) in the
last para of this minute?

MCS 28/6

CIVIL SERVICE NUMBERS AFTER 1984

I expect to consult you shortly on the handling of the Public Expenditure Survey. I should also like to consult you about the related subject of civil service manpower.

We should succeed in reaching the target of 630,000 for 1 April 1984. I do not think that it would be realistic to aim for another reduction of the same size (14%) in our second term of office, but I do believe that we should maintain firm pressure and keep the overall figures moving down.

Last December, Cabinet agreed that further target figures should be set for April, 1988. The figure for the Service as a whole should be built up from the individual figures agreed for each department; there should be some flexibility so that departments were not committed to targets which depended on policy decisions whose timing or even acceptability could not be guaranteed; there should be a realistic allowance for contingencies. I do not propose that these conclusions should be overturned.

As colleagues also agreed, my predecessor asked all departments for a statement of their likely manpower needs from 1984 to 1988 and of the scope for further reductions.

Because of the General Election, there has not yet been any Ministerial discussion of the results. But the figures which colleagues then reported amount to the prospect of a total of around 610,000 by 1 April 1988 on the basis of present policies, which would be improved to just under 605,000 after new initiatives which they hoped to set in hand. They were also asked to say what they would do if it were necessary to reduce these figures

further by 5% or 10%. The possible options identified under this heading came to some 35,000. But while further work is needed to refine that figure, the Treasury's preliminary assessment is that only about one-third of it represents options which may be practicable, and that some of those would require difficult policy decisions (eg the abolition of vehicle excise duty).

The 605,000 figure includes one large "hiving-off": the Royal Ordnance Factories with 18,000 staff. If that is put to one side, the net reduction which colleagues propose is small. This is because some quite sizeable reductions (eg. 5,000 from the computerisation of PAYE in the Inland Revenue) are offset by proposals for increases (eg. 7,000 for the Prison Service).

In order to prepare firm proposals for collective decision, the Treasury will need to do three things in consultation with departments:-

- (a) assess the scope for greater savings from improved efficiency and productivity. I doubt whether all colleagues have set themselves sufficiently stiff hurdles here. In particular, Michael Heseltine had only just taken over at Defence (200,000 planned for April, 1984) when that department's return came in, and I hope for more from that quarter;
- (b) reduce any proposed additions to the essential minimum ;
- (c) establish the extent to which additional options, especially for contracting work out, can be decided upon at this stage.

I think that by these means it should be possible to reduce the overall target figure below 600,000, though I am not yet ready to offer an assessment of how much further it will be practicable to go.

It will, I think, be best to pursue this with colleagues at the same time as the main Expenditure Survey. The timing is convenient, and it will be useful to consider other expenditure and manpower together.

If you agree, therefore, I propose to put a paper on manpower to Cabinet on 21 July which will:-

- (a) report progress so far;
- (b) seek endorsement of the general line that the aim should be rather larger reductions than those so far on offer, but consistent with the conclusions reached last December;
- (c) put colleagues on notice that I will seek agreement to such reductions in the bilateral discussions on the Survey, and report back to Cabinet in the autumn.



PETER REES
27 JUNE 1983

27 JUN 1963

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Prime Minister
Minute attached
for your signature, if you
agree.

PERB

27.6.

PRIME MINISTER

FINANCIAL MANAGEMENT INITIATIVE

Your Private Secretary's letter of 11 May said that you favoured the idea of a minute to Ministerial colleagues, but would prefer to send it at the beginning of the new Parliament. I understand that you have asked to see a draft before the end of this month.

Grey Gowrie and I agree with our predecessors that a minute from you to colleagues would be very helpful at this stage, particularly in drawing the attention of new Ministers to the plans which their departments have undertaken. A good start has been made, but a strong lead from the top is needed to keep up the impetus.

The drafting of the White Paper is well advanced, but needs clearing with the departments specifically referred to and some amendment in the light of the machinery of government changes just made. I expect to send a draft to you and Cabinet colleagues shortly. Since new Ministers will want to consider their departments' plans before they are published, we may not manage to publish the White Paper in time for the Treasury and Civil Service Committee to look at it before the Recess, as you told Edward du Cann on 4 February that we would try to do. But as there is a new Government and there will also be a new Committee, that will no doubt be understood.

Copies of this minute go to the Minister of State, Privy Council Office and Sir Robert Armstrong.

PETER REES
27 JUNE 1983

DRAFT MINUTE TO MINISTERS IN CHARGE OF DEPARTMENTS

IMPROVING FINANCIAL MANAGEMENT

Before the Election, the then Chief Secretary sent me a report on the Financial Management initiative. His minute of 9 May, ^{copied to all Ministers in charge of Departments,} ~~gives his and the then Lord Privy Seal's assessment of~~ ^{assesses} the response which departments have made to my minute of 17 May 1982.

The report is encouraging. Much energy and hard work have clearly been put into / ^{this important} operation, and a good foundation has been laid. Please convey my appreciation to those who have been responsible.

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required of them and receive the necessary training. I agree that these matters are crucial. So too is the need to ensure that the flow of financial and management information is accurate, timely and properly organised to help the taking of the necessary decisions, both departmentally and for the Government as a whole. The next progress report should deal fully with what has been done on these aspects. It should also report the costs of implementation, where these are separately identifiable.

We have undertaken to publish a White Paper on the progress so far. The Chief Secretary will circulate a draft shortly.

Copies of this minute ^{have gone to all Ministers in charge of Departments and} ~~go~~ to the Chief Secretary, the Minister of State, Privy Council Office and Sir Robert Armstrong.

Civil SERVICE : Long Term Pensions Act 1998

27/11/2000

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BPP



file

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

Resignations from the Civil Service

I have shown the Prime Minister your minute of 31 May (A083/1536) with its enclosure about the results of the exercise on resignations from the Civil Service. The Prime Minister has read and noted this.

I am copying this letter to Mrs. Mary Brown, (Minister of State's Office, Privy Council Office)

E. E. R. BUTLER

20 June 1983

Ref. A083/1536

~~MR BUTLER~~

c Mrs M E Brown

Resignations from the Civil Service

In July last year, because I was concerned at some of the anecdotal impressions beginning to circulate about resignations from the Civil Service as an indication of low morale, I thought it right to institute an exercise to monitor resignations more systematically, so as to see if it was possible to arrive at more soundly based conclusions about the trend of resignations and the reasons for them.

2. The Prime Minister may like, when she has a moment, to see the attached copy of a letter I have sent to Permanent Secretary Heads of Departments reporting the results of the exercise. I have found these results interesting and useful; and, as you will see, I am proposing to continue the exercise into future years, in the hope of getting a run of figures.

3. I am sending a copy of this minute and of the letter to the Private Secretary to the Lord Privy Seal, in case she may also be interested.

REA

ROBERT ARMSTRONG

31 May 1983



cc- Mr. Lecheminant
 Mr. Peterson
 Mr. Tobias

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Permanent Secretary to the Management and Personnel Office

CABINET OFFICE	
A	Ref. A083/1528
FILING INSTRUCTIONS	
FILE No.	_____

Sir Robert Armstrong GCB CVO

26 May 1983

Resignations from the Service

In July last year I set in train an exercise to monitor the resignations from the Service at Principal level and above. My interest was not so much to establish the numbers of those leaving but rather to gain some impression of their reasons for doing so. I am now writing to let you know the results of that exercise.

Overall Figures

The returns show that there were 135 resignations at Principal level and above during 1982, 60 in the first half of the year and 75 in the second. These were spread over a wide range of occupational groups, with the Administration Group accounting for 28 of the losses; the Science Group 8; the P & T Group 13; Tax Officers 17 and Medical Officers a further 16. There were also 7 resignations from the Open Structure. A breakdown by grade and Department is attached.

Reasons for Leaving

As yet we have too insubstantial a statistical base to be able to draw any firm conclusions, but already some useful indicators are emerging. Although for a substantial number of people no reasons for leaving were known, in those cases in which Departments could guess at reasons by far the largest proportion (50 per cent) were believed to involve comparatively low pay and poor promotion prospects. The next most frequently mentioned reasons were: family reasons (17 per cent); the desire to move to a job which enabled the individual to work on after 60 (5 per cent); the desire for greater responsibility (4 per cent); and unwillingness to comply with the mobility obligation (4 per cent).

Administration Group

Of the Administration Group resignations, 5 were Assistant Secretaries and 23 were Principals. All 5 Assistant Secretaries left to take up jobs in the private sector. Of the 23 Principals

/who

P E Middleton Esq

MANAGEMENT IN CONFIDENCE

who resigned, 12 were former ATs or APs and 1 was a direct entry Principal. This is broadly in line with the pattern of fast-stream Principal resignations in recent years, which was as follows:

<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
9	19	12	10	12

There is as yet therefore no overall sign of the feared increase in departure of fast-stream Principals. However, closer analysis of the figures shows a potentially worrying feature: a very large proportion of the resignations came from the Treasury. As the reasons Treasury staff gave for leaving echo those given elsewhere in the Service, and it is only in respect of numbers relative to size that the Treasury stands out, I would attribute this to the fact that Treasury staff are amongst the most marketable in the Service and represent the vanguard; an upturn in the economy could well see the pattern reflected in a wider range of Departments. It is impossible to tell how much truth there is in this hypothesis on the basis of one year's figures, but it is sufficient reason to continue the exercise into future years.

Other Groups

Outside the Administration Group, the most concentrated losses came from the Tax Inspectorate, closely followed by Medical Officers. Although overall losses of Tax Inspectors were about the same as in the recent past, a worrying feature was that a high proportion came from more senior grades. Most went to higher paid employment in the private sector with the hope of better prospects. The loss of 16 Medical Officers is also noteworthy. One possible reason for this is that National Health Service doctors may continue working until 65 while their Civil Service colleagues must leave at 60.

We will need a firmer statistical base before we can draw significant conclusions from the resignations in other groups.

Male/Female Ratio

Of the total resignations in 1982, 107 were men and 20 were women (some returns did not specify sex). It is noteworthy that of the women only 3 left the Service for other employment; of the remainder, the majority resigned to have a child or for other family reasons.

Conclusion

These results present an interesting picture and I am sure that it is worth continuing the exercise into future years. To do so we need to put the exercise on a more formal basis, in order to ensure as much consistency between returns as possible. I have asked my staff in the Management and Personnel Office to set this system up and to make to me an annual report which I can circulate.

I am sending copies of this letter to other Permanent Secretary Heads of Departments.

ROBERT ARMSTRONG

RESIGNATIONS FROM THE HOME CIVIL SERVICE AT PRINCIPAL LEVEL AND ABOVE IN 1982

Department	Per. Sec	Deputy Sec	Under Sec	Assistant Sec	Principal ⁽¹⁾	Scientific Officers	PCTO	Economist	CS Lawyers	Accountants	Research Officers	Medical Officers	Tax Officers	Information Officers	Others	Total
Treasury			1	3	4			3(EAs) 1(EA)								11
MAFF					1											1
Customs and Excise				1	4	8	10									1
MOD	1															24
DES			1													1
DE (Group)			1		1						1	6			4	13
DOE and Transport						4	1	2	1	3					1	12
Exchequers Audit																0
DHSS					2	2			1			8				13
Home Office					2											0
Inland Revenue									1						3	5
LCD													17			18
NIO																0
PCA																0
Parliamentary Counsel																0
Scottish Office					4				3							0
Industry and Trade		2	1	1	1	3		1		1				1	2	10
Department Energy					1	1	1								3	13
Treasury Solicitors											1				2	5
Welsh Office					1							2				1
DPP																3
ODA					2											0
PSA							1									2
TOTAL	1	2	4	5	23	18	13	7	7	4	1	16	17	1	16	135

(1) Of which 11 were faststreamers; 9 mainstreamers; 1 Entry Principals; and 2 had transferred into the Admin Group from the DS and from the Economist class. "Faststream" being defined as former APs or ATs.

● PART 12 ends:-

RTA to CDL A083/1495
24.5.83

PART 13 begins:-

RTA to RB A083/1536

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